

ANNUAL REPORT
CHECKLIST

for
FISCAL YEAR ENDED:
07/31/2014

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CONTINUING CARE
CONTRACTS BRANCH

PROVIDER(S): Casa de las Campanas, INC.

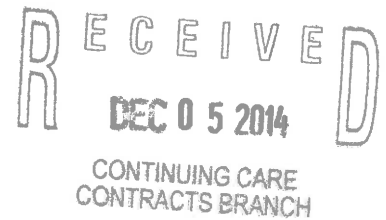
CCRC(S): _____

CONTACT PERSON: Dave Johnson, CFO

TELEPHONE NO.: (858) 592-1885 EMAIL: johnson@casadlc.com

The complete annual report must consist of three (3) copies of the following:

- ☐ Checklist.#
- ☒ Annual Provider Fee in the amount of: \$ 24,851
 - ☐ If applicable, Late Fee in the amount of: \$ _____
- ☒ Certification by the provider's *chief executive officer* that:
 - ☒ The reports are correct to the best of his/her knowledge and belief.
 - ☒ Each continuing care contract form in use for new residents has been approved by CDSS.
 - ☒ The provider is maintaining the required liquid reserves and refund reserves, if applicable.
- ☒ Evidence of the provider's fidelity bond.
- ☒ Provider's audited financial statements with a certified public accountant's opinion.
NOTE: Statement of Cash Flows must be prepared using the direct method.
- ☒ Provider's audited reserve reports (on Department forms) with a certified public accountant's opinion.
NOTE: If the entries on these forms do not directly reconcile with the amounts stated, on the face of, or in the notes to, the financial statements, a two-way reconciliation schedule must be included.
- ☒ "Continuing Care Retirement Community Disclosure Statement" for each community.
- ☐ "Key Indicators Report"
NOTE: The KIR may be included with this submission, but it is not required at this time. The KIR is due within the next 30 days. Please ensure that three (3) signed copies are submitted.



November 26, 2014

Certification by Chief Executive Officer

As Chief Executive Officer of Casa de las Campanas, I certify that the attached reports:

- 1) FY 2014 Audited Financial Statements with our CPA's opinion,
- 2) FY 2014 Audited Reserve Report Forms 5-1 to 5-5, with our accompanying CPA opinion, and related supplemental schedules thereto, including the disclosure report,
- 3) 2014 Continuing Care Provider's Fee and calculation fee,
- 4) Evidence of Fidelity Bond,
- 5) Continuing Care Retirement Community Disclosure Statement,
- 6) CCRC Monthly Fees,

are correct, that the continuing care contract form in use for new residents has been approved by the Department, and that the provider is maintaining the required liquid reserves, statutory reserves and refund reserves pursuant to requirements of the California Health and Safety Code.

Sincerely,

Digitally signed by Stephen Riddle
DN: cn=Stephen Riddle, o, ou,
email=steveriddle@aol.com, c=US
Reason: I agree to the terms defined by the
placement of my signature on this document
Location: Newport Beach, CA
Date: 2014.11.20 11:49:22 -0800

Steve Riddle
President of the Board of Directors
Casa de las Campanas, Inc.





CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
07/22/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

CONTINUING CARE

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER 1-312-704-0100
Arthur J. Gallagher Risk Management Services, Inc.300 South Riverside Plaza
Suite 1900
Chicago, IL 60606
Marcia L. HahnINSURED
Casa de las Campanas, Inc.

18655 W. Bernardo Dr.

San Diego, CA 92127

CONTACT NAME: See Below

PHONE (A/C No. Ext): 312-704-0100

FAX (A/C No): 312-803-7443

E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE

NAIC #

INSURER A: NATIONAL UNION FIRE INS CO OF PITTS

19445

INSURER B:

INSURER C:

INSURER D:

INSURER E:

INSURER F:

COVERAGES

CERTIFICATE NUMBER: 40794561

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	GENERAL LIABILITY						EACH OCCURRENCE \$
	<input type="checkbox"/> COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$
	<input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR						MED EXP (Any one person) \$
							PERSONAL & ADV INJURY \$
							GENERAL AGGREGATE \$
	GEN'L AGGREGATE LIMIT APPLIES PER:						PRODUCTS - COMP/OP AGG \$
	<input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						\$
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident) \$
	<input type="checkbox"/> ANY AUTO						BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS	<input type="checkbox"/> SCHEDULED AUTOS					BODILY INJURY (Per accident) \$
	<input type="checkbox"/> HIRED AUTOS	<input type="checkbox"/> NON-OWNED AUTOS					PROPERTY DAMAGE (Per accident) \$
							\$
	UMBRELLA LIAB						EACH OCCURRENCE \$
	EXCESS LIAB	<input type="checkbox"/> OCCUR					AGGREGATE \$
	<input type="checkbox"/> DED <input type="checkbox"/> RETENTION \$	<input type="checkbox"/> CLAIMS-MADE					\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						WC STATU-TORY LIMITS OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	<input type="checkbox"/> Y/N					E.L. EACH ACCIDENT \$
	If yes, describe under DESCRIPTION OF OPERATIONS below	<input type="checkbox"/> N/A					E.L. DISEASE - EA EMPLOYEE \$
							E.L. DISEASE - POLICY LIMIT \$
A	Crime			01-174-40-04	06/30/14	06/30/15	Limit 5,000,000 Erisa Included

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER

CANCELLATION

David Johnson

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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CONTINUING CARE
CONTRACTS BRANCH

CASA DE LAS CAMPANAS

CONTINUING CARE RESERVE REPORT

AS OF AND FOR THE YEAR ENDED JULY 31, 2014

WITH INDEPENDENT AUDITORS' REPORT

CASA DE LAS CAMPANAS
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INDEPENDENT AUDITORS' REPORT

To the Members of the
Audit Committee of
Casa de las Campanas
Rancho Bernardo, California

Report on the Continuing Care Reserve Report

We have audited the accompanying continuing care reserve report (the Report) of Casa de las Campanas (a nonprofit organization), ("Organization") which comprise the Supplemental Schedules as of July 31, 2014, and the related notes to continuing care reserve report for the year then ended.

Management's Responsibility for the Continuing Care Reserve Report

Management is responsible for the preparation and fair presentation of this Report in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Report that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Report based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Report, assessing the accounting principles used and significant estimates made by the Organization's management, as well as evaluating the overall presentation of the Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Report presents fairly, in all material respects, the liquid reserve requirements of Casa de las Campanas as of July 31, 2014, in accordance with report preparation provisions of California Health and Safety Code Section 1792.

Other Matter

The accompanying Report was prepared for the purpose of complying with California Health and Safety Code section 1792 and is not intended to be a complete presentation of the Organization's assets, liabilities, revenues and expenses.

Purpose of the Report

This report is intended solely for the use of the Organization and for filing with the California Department of Social Services and is not intended to be and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

White Nelson Dick Evans LLP

Irvine, California
November 25, 2014

CASA DE LAS CAMANAS
NOTES TO CONTINUING CARE RESERVE REPORT
YEAR ENDED JULY 31, 2014

Note 1: Mission Statement

Casa de las Campanas (the Organization) is a not-for-profit continuing care retirement community, providing seniors with the highest quality of care and services, honoring their dignity and promoting independence.

Note 2: Description of Business

Casa de las Campanas was incorporated on September 19, 1990 as a California nonprofit corporation for the purposes of constructing, owning and operating a continuing care retirement community. The facilities include 374 independent living units, 36 assisted living units with a capacity of 45 beds, 18 dementia/assisted living units with a capacity of 27 beds, and an adjacent 97 bed skilled nursing facility. The Organization provides housing, health care and other related services to the elderly.

The Organization operates under the "continuing care" concept whereby residents enter into agreements which require payment of a one-time entrance fee and a monthly service charge. Generally, these payments will entitle residents to the use and privileges of the facility for life. The residence agreement does not entitle the residents to an ownership interest in the property.

Note 3: Continuing Care Reserve Report Schedules

The California Health and Safety Code section 1792 (H&SC) requires continuing care contract providers to establish and maintain statutory and refund reserves to ensure financial resources will be available to fulfill contractual obligations to residents. The continuing care reserve report (the Report), which calculates reserve requirements, is prepared in accordance with the January 1, 2007 *Annual Report Instructions* provided by the State of California Department of Social Services. The Report is required to be submitted annually to the California Department of Social Services within four months of year-end.

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	561
[2]	Number at end of fiscal year	574
[3]	Total Lines 1 and 2	1135
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	567.5
All Residents		
[6]	Number at beginning of fiscal year	585
[7]	Number at end of fiscal year	602
[8]	Total Lines 6 and 7	1187
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	593.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.96

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$34,340,632
[a] Depreciation	\$5,448,926
[b] Debt Service (Interest Only)	\$2,902,564
[2] Subtotal (add Line 1a and 1b)	\$8,351,490
[3] Subtract Line 2 from Line 1 and enter result.	\$25,989,142
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	96%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$24,850,612
	x .001
[6] Total Amount Due (multiply Line 5 by .001)	\$24,851

PROVIDER Casa de las Campanas, Inc. FYE 7-31-14
 COMMUN Casa de las Campanas, Inc. FYE 7-31-14

FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	06/15/12	\$21,505	\$11,241	\$0	\$32,746
2	01/28/10	\$1,055,000	\$2,908,906	\$0	\$3,963,906
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
		TOTAL:	\$2,920,147	\$0	\$3,996,652

(Transfer this amount to
Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Casa de las Campanas, Inc. FYE 7-31-14

FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1		\$0	\$0	0	\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$0	\$0	0	\$0

*(Transfer this amount to
Form 5-3, Line 2)*

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Casa de las Campanas, Inc. FYE 7-31-14

FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$3,996,652</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$23,881</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$4,020,533</u></u>

PROVIDER: Casa de las Campanas, Inc. FYE 7-31-14

Casa de las Campanas

SUPPORT FOR SCHEDULE FOR FORM 5-3, CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT, Line 3
7/31/2014

<u>Vendor</u>	<u>PROPERTY DESCRIPTION</u>	<u>PERIOD</u>	<u>AMOUNT</u>	<u>ANNUAL COST</u>
Ecolab	Dishmachine-Norte	Monthly	\$ 392.30	\$ 4,673.74
Ecolab	Booster - Norte Kitchen	Monthly	\$ 70.20	\$ 842.40
Ecolab	Dishmachine-Sur	Monthly	\$ 381.88	\$ 4,602.87
Ecolab	Booster - Sur Kitchen	Monthly	\$ 70.20	\$ 842.40
Ecolab	Dishmachine-Sur	Monthly	\$ 175.90	\$ 2,113.11
Ecolab	Water Softener - Sur	Monthly	\$ 81.70	\$ 980.89
Ecolab	Water Softener - Sur	Monthly	\$ 92.56	\$ 369.48
Ecolab	Water Softener - Norte	Monthly	\$ 92.56	\$ 369.48
Coastal Water	Water Softener	Monthly	\$ 45.00	\$ 540.00
Pitney Bowes	Sheet Feeder #2225/Folder #3261	Quarterly	\$ 320.77	\$ 320.77
Pitney Bowes	Mail Machine Equip #3196196	Quarterly	\$ 787.33	\$ 3,149.32
Iron Mountain	Offsite Storage - HR	Monthly	\$ 148.00	\$ 740.00
Iron Mountain	Offsite Storage - Acctg	Monthly	\$ 209.93	\$ 2,519.16
Corodata	Offsite Storage - Med Records	Monthly	\$ 118.39	\$ 1,558.88
Corodata	Offsite Storage - Med Records	Monthly	\$ 41.70	\$ 258.57
				<hr/>
				\$ 23,881

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$34,340,632
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$2,920,147	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0	
	c. Depreciation	\$5,448,926	
	d. Amortization	\$40,148	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$4,516,423	
	f. Extraordinary expenses approved by the Department	\$0	
3	Total Deductions		\$12,925,644
4	Net Operating Expenses		\$21,414,988
5	Divide Line 4 by 365 and enter the result.		\$58,671
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$4,400,340

PROVIDER: Casa de las Campanas, Inc. **FYE 7-31-14**
COMMUNITY: Casa de las Campanas, Inc. **FYE 7-31-14**

CASA DE LAS CAMPANAS**SUPPORT SCHEDULE FOR FORM 5-4 CALCULATION OF NET OPERATING EXPENSES, line 2e
FYE 7-31-14**

	FY 2014
Reimbursement (Revenues) for Services to Non-Residents:	
Guest Rooms	\$ 108,020
Guest Meals	14,503
Employee Meals	9,241
La Tienda (Store)	59,836
Lease Fees - Non CCRC Rental Contract - monthly	32,292
Catering	17,200
Health Center - Non CCRC Resident	4,248,106
Space Rentals	27,226
Total Reimbursement (Revenues) for Services to Non-Residents	<u>\$ 4,516,423</u>
 Reconciliation of Revenues to Audited Financial Statements:	
Total Reimbursement (Revenues) for Services to Non Residents	\$ 4,516,423
Residents with Continuing Care Health Center Revenues	2,304,741
Residential Revenues, excluding the above reimbursements to Non-Residents	28,909,702
 Beginning AR	1,281,077
Ending AR	(977,721)
 Cash Received from Casa Residents and Third-Party Payors	<u>\$ 36,034,222</u>

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Casa de las Campanas, Inc. FYE 7-31-14
Fiscal Year Ended: 31-Jul-14

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 31-Jul-14 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$4,020,533</u>
[2] Operating Expense Reserve Amount	<u>\$4,400,340</u>
[3] Total Liquid Reserve Amount:	<u>\$8,420,873</u>

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u> </u>	<u>\$0</u>
[5] Investment Securities	<u> </u>	<u>\$0</u>
[6] Equity Securities	<u>\$25,532</u>	<u>\$4,400,340</u>
[7] Unused/Available Lines of Credit	<u> </u>	<u> </u>
[8] Unused/Available Letters of Credit	<u> </u>	<u> </u>
[9] Debt Service Reserve	<u>\$3,995,001</u>	<u>(not applicable)</u>
[10] Other:	<u> </u>	<u> </u>
<u> </u>		
<u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$4,020,533</u> [12]	<u>\$4,400,340</u>
Reserve Obligation Amount: [13]	<u>\$4,020,533</u> [14]	<u>\$4,400,340</u>
Surplus/(Deficiency): [15]	<u>\$0</u> [16]	<u>\$0</u>

Signature:

David Johnson
(Authorized Representative) CFO

Date: 26-Nov-13

CFO
(Title)

Casa de las Campanas
Reserve Disclosures, Form 5-5 Support
As of 7/31/2013

- [1] Held by Trustee under Bond Indenture \$6,202,180 includes:
- Debt Service Reserve of \$3,995,001
This reserve is for the annual principal and interest payments for our Casa bonds as required per the bond documents.
 - Revenue Fund of \$1,203,308
This reserve is for next semi-annual interest payment due in the next fiscal year 2014.
 - Principal Fund of \$1,003,871
This reserve is for future principal payment due in next Fiscal Year 2014.
- [2] Operating Expense Reserve of \$4,400,340
- Reserve requirement per DSS. Funds are held by our investment advisor, Halbert Hargrove and reported on our financials as unrestricted funds.
- [3] Refund Reserve Requirement
- Reserve requirement per DSS.
 - Funded by Real Estate \$15,271,714
 - Funded by Investments \$2,082,506
- [4] Additional Debt Service Reserve
- Reserve requirement per DSS. Represents the additional debt service reserve primarily relating to capital & operating leases of \$25,532. Funds are held by our investment advisor, Halbert Hargrove and reported on our financials as unrestricted funds.
- [5] The following reserves are set up for Casa Foundation, Inc. and consist of the following:
- Restricted by Donors of \$1,993,809 for gifts received by our Foundation.
 - Charitable Gift Annuities of \$1,675,908 for gift annuity contracts.
 - Charitable Remainder Trusts of \$315,877 for CRT contracts.
 - Pooled Income Funds of \$320,022 for gifts received.

Per Capita Costs;

Form 1-2 line 5 – Total Operating Expense for Continuing Care Residents =	\$24,850,612
Form 1-1 line 5 – Mean # of Continuing Care Residents =	<u>567.5</u>
Per Capita Costs	\$43,790

PROVIDER: _____ Casa de las Campanas, Inc. FYE 7-31-14
COMMUNITY: _____ Casa de las Campanas, Inc.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,191 to \$4,493</u>	<u>\$2,191 to \$4,493</u>	<u>\$2,191 to \$4,493</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: August 1, 2012
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- ☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- ☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: _____ Casa de las Campanas, INC. FY 7-31-14
COMMUNITY: _____ Casa de las Campanas, INC FY 7-31-14

FORM 7-1 Item 5
SUPPORT FOR ADJUSTMENTS IN MONTHLY FEES

- [5] Attach a separate page to describe the data which was utilized in establishing adjustments in monthly care fees and the methodology used to calculate the adjustments, including project costs, prior year per capita costs and economic indicators. Revenues proposed from rate adjustments should generally reconcile back to documents used to develop adjustments, i.e., budget for current period.

The price increase in MF (monthly fees) was based upon the budget model that was reviewed by the Resident Finance, Resident Council, the Board, Board Finance Committees & our management company, LCS. Within this frame-work, the Board reveiws certain CCAC ratio guidelines to compare Casa's operations relating to:

- 1) Liquidity Ratios,
- 2) Margin Ratios, and
- 3) Capital Structure Ratios

In determining the annual price increase, since the NOI is a defined goal that can be quantified, the price increase is the variable factor that is adjusted to force our NOI to meet our CCAC ratio goals. Part of the budget process also includes our census projections, which also includes a historical recap and actuarial data of where we should be at with the different levels of care. Additionally, the committees review the capital budget, non-operating activity, net entrance fees and move-ins, overall cashflows and statistics.

The other variable factor is expenses. Expenses are reviewed along with staffing patterns, wage increases and benefits. Other economic factors are reviewed to gauge inflation and third party reimbursement rates. Once the expenses are determined, our NOI is quantifiable and the price increase is easily calculated. Throughout this process we have several meetings to review the revenue, expense and capital budget with the Executive Council, Resident Finance and Board committees. The committee reveiws are held over a couple months and much insight and comments are made.

The amount of the final rate adjustment was spread based on unit type. Please refer to the attached 2013-2014 Fiscal Year Budget Presentation handout that was available at the Resident budget presentation.

PROVIDER NAME: CASA DE LAS CAMPANAS, INC. FYE 7-31-14

Casa de las Campanas
Form 9-1 Supporting Schedule
Fiscal Year Ending 7/31/2014

\$ 169,000,000
\$ -
\$ (50,488,187)
\$ 118,511,813

x .50
\$ 59,255,907

\$ 17,354,220
x .70
\$ 12,147,954

\$ 17,354,220
\$ (12,147,954)
\$ **5,206,266**

- \$3,123,760
\$ **2,082,506**

Net Equity (Casa de las Campanas appraised value 8-18-2014)

Less Debt (Bonds & Leases)

Net Equity (Real Estate & Buildings, net book value less any depreciation and encumbrances)

x .50

Net Equity available

Refund Reserve Requirement per DSS Form 9-1 - estimate 3/31/2014

x .70

Amount of the Refund Reserve Requirement that could be offset by Net Equity of Real Estate & Buildings

Refund Reserve Requirement

Less Net Equity available

Amount of qualifying assets that must be deposited into escrow for compliance with H&SC section 1792.6

Less 60% of Refund Reserve, funded at 20% per year in 2015,2016 & 2017

Amount of qualifying assets that must be deposited into escrow for compliance with H&SC section 1792.6

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CASA DE LAS CAMPANAS

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

YEARS ENDED JULY 31, 2014 AND 2013

WITH INDEPENDENT AUDITORS' REPORT

**CASA DE LAS CAMPANAS
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JULY 31, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Casa de las Campanas
Rancho Bernardo, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Casa de las Campanas (a nonprofit organization), ("Organization") which comprise the consolidated balance sheets as of July 31, 2014 and 2013, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Casa de las Campanas as of July 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 33 through 35, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Irvine, California

November 25, 2014

CASA DE LAS CAMPANAS
CONSOLIDATED BALANCE SHEETS
JULY 31, 2014 AND 2013

ASSETS		
	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 5,249,935	\$ 4,217,534
Assets whose use is limited or restricted, required for current liabilities (Note 3)	7,295,634	13,561,083
Accounts receivable, net of allowance for doubtful accounts of \$79,186 and \$334,412, respectively	977,721	1,281,077
Prepaid expenses and other current assets	1,068,508	1,062,904
Contributions receivable	4,680	29,680
Other receivables	<u>502,861</u>	<u>348,431</u>
Total Current Assets	15,099,339	20,500,709
Assets whose use is limited or restricted, less amounts classified as current (Note 3)	5,294,668	8,226,163
Long-term investments (Note 4)	79,209,922	56,843,072
Property, buildings and equipment, net (Note 5)	64,028,997	64,899,637
Deferred financing fees, net (Note 1)	<u>2,225,525</u>	<u>2,373,024</u>
Total Assets	<u>\$ 165,858,451</u>	<u>\$ 152,842,605</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 3,569,647	\$ 3,225,148
Interest payable	1,203,253	1,220,836
Deposits from residents	1,470,634	986,114
Current portion of obligations under capital leases (Note 12)	24,133	21,505
Current portion of obligations under gift annuity contracts (Note 1)	314,885	312,402
Current portion of estimated refundable entrance fees (Note 10)	2,197,865	1,959,455
Current portion of long-term debt (Note 11)	<u>1,095,000</u>	<u>1,055,000</u>
Total Current Liabilities	9,875,417	8,780,460
Obligations under capital leases, net of current portion (Note 12)	54,504	78,637
Obligations under gift annuity contracts, net of current portion (Note 1)	1,361,023	1,425,714
Estimated refundable entrance fees, net of current portion (Note 10)	15,261,466	11,095,411
Deferred revenue, pooled income funds	82,174	88,412
Long-term debt, net of current portion and unamortized discount (Note 11)	49,314,550	50,398,436
Deferred revenue from entrance fees (Note 10)	<u>53,557,629</u>	<u>53,394,095</u>
Total Liabilities	<u>129,506,763</u>	<u>125,261,165</u>
Net Assets:		
Unrestricted	32,627,207	24,188,750
Temporarily restricted (Note 7)	1,197,610	1,112,811
Permanently restricted (Note 8)	<u>2,526,871</u>	<u>2,279,879</u>
Total Net Assets	<u>36,351,688</u>	<u>27,581,440</u>
Total Liabilities and Net Assets	<u>\$ 165,858,451</u>	<u>\$ 152,842,605</u>

The accompanying notes are an integral part of these consolidated financial statements

CASA DE LAS CAMPANAS
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JULY 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets:		
Revenues, Gains, and Other Support:		
Residents fees earned, including amortization of deferred revenues from non-refundable entrance fees of \$8,165,330 and \$7,685,172, respectively	\$ 35,699,796	\$ 33,520,315
Contributions	182,720	187,659
Net assets released from restrictions, used for operations	<u>123,458</u>	<u>85,713</u>
Total Revenues, Gains, and Other Support	<u>36,005,974</u>	<u>33,793,687</u>
Operating Expenses:		
Resident services	785,812	713,250
Health center	5,188,682	5,088,051
Assisted living	2,505,084	2,388,091
Home health	1,119,718	971,996
Plant and maintenance	3,837,703	3,430,178
Housekeeping and laundry	1,659,412	1,542,955
Food and beverage	5,875,516	5,484,176
Donation expense	93,191	135,749
General and administrative	5,069,355	4,625,751
Depreciation and amortization	5,489,074	5,372,248
Interest expense for debt service	2,902,564	2,956,884
Interest expense, other	<u>14,873</u>	<u>1,877</u>
Total Operating Expenses	<u>34,540,984</u>	<u>32,711,206</u>
Income from Operations	<u>1,464,990</u>	<u>1,082,481</u>
Other Revenues (Expenses):		
Interest and dividends, net	1,200,144	1,214,989
Casualty gain, net	188,357	-
Net realized gains on sale of investments	1,234,164	72,818
Change in value of gift annuity contracts	(18,445)	41,771
Other revenues	<u>17,742</u>	<u>23,147</u>
Total Other Revenues (Expenses)	<u>2,621,962</u>	<u>1,352,725</u>
Excess of Revenues over Expenses	<u>\$ 4,086,952</u>	<u>\$ 2,435,206</u>

The accompanying notes are an integral part of these consolidated financial statements

CASA DE LAS CAMPANAS
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED JULY 31, 2013 AND 2012

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets:		
Excess of revenue over expenses	\$ 4,086,952	\$ 2,435,206
Net unrealized gains on investments	4,258,369	5,046,522
Transfer to permanently restricted net assets	4,216	(16,171)
Net assets released from restrictions, used for capital expenditures	<u>28,920</u>	<u>133,115</u>
Increase in Unrestricted Net Assets	<u>8,378,457</u>	<u>7,598,672</u>
Changes in Temporarily Restricted Net Assets:		
Contributions	70,892	108,435
Interest and dividends, net	26,390	32,291
Net realized gains on sale of investments	29,352	12,238
Net unrealized gains on investments	95,630	133,029
Net assets released from restrictions, used for operations	(123,458)	(85,713)
Net assets released from restrictions, used for capital expenditures	(28,923)	(68,614)
Change in value of charitable remainder trusts and pooled income funds	<u>14,916</u>	<u>6,133</u>
Increase in Temporarily Restricted Net Assets	<u>84,799</u>	<u>137,799</u>
Changes in Permanently Restricted Net Assets:		
Contributions	251,208	19,000
Transfer to unrestricted net assets	<u>(4,216)</u>	<u>16,171</u>
Increase in Permanently Restricted Net Assets	<u>246,992</u>	<u>35,171</u>
Increase in Net Assets	8,710,248	7,771,642
Net Assets at Beginning of Year, Restated (Note 16)	<u>27,641,440</u>	<u>19,869,798</u>
Net Assets at End of Year	<u>\$ 36,351,688</u>	<u>\$ 27,641,440</u>

The accompanying notes are an integral part of these consolidated financial statements

CASA DE LAS CAMPANAS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Cash received from residents and third-party payors	\$ 36,034,222	\$ 33,211,280
Proceeds from entrance fees	15,509,165	19,336,435
Contributions	278,612	271,273
Investment income received, net	2,490,020	1,332,337
Cash paid to suppliers and employees	(36,224,409)	(32,198,447)
Cash paid for rentals	(23,881)	(24,082)
Cash paid for interest on long-term debt and capital lease obligations	(2,920,147)	(2,957,875)
Cash paid for interest on resident deposits	(1,239)	(5,940)
	<u>15,142,343</u>	<u>18,964,981</u>
Net Cash and Cash Equivalents Provided by Operating Activities		
Cash Flows from Investing Activities:		
Capital expenditures	(4,869,766)	(4,612,486)
Proceeds on disposal of assets	188,356	-
Interest and dividend reinvestment	(1,226,504)	(1,247,280)
Net purchases of investments	(6,325,810)	(15,540,703)
	<u>(12,233,724)</u>	<u>(21,400,469)</u>
Net Cash and Cash Equivalents Used in Investing Activities		
Cash Flows from Financing Activities:		
Refunds of entrance fees	(697,008)	(202,204)
Net change in resident deposits	(120,000)	130,450
Principal payments on obligations under capital leases	(21,505)	(18,119)
Bond issuance costs	(10,000)	-
Principal payments on long-term debt	(1,055,000)	(1,025,000)
Contributions restricted for endowment	27,295	35,171
	<u>(1,876,218)</u>	<u>(1,079,702)</u>
Net Cash and Cash Equivalents Used in Financing Activities		
Net Change in Cash and Cash Equivalents	1,032,401	(3,515,190)
Cash and Cash Equivalents, at Beginning of Year	<u>4,217,534</u>	<u>7,732,724</u>
Cash and Cash Equivalents, at End of Year	<u>\$ 5,249,935</u>	<u>\$ 4,217,534</u>

The accompanying notes are an integral part of these consolidated financial statements

CASA DE LAS CAMPANAS
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JULY 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Increase in net assets	\$ 8,710,248	\$ 7,771,642
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	5,448,926	5,331,263
Amortization of deferred financing fees	157,499	160,778
Amortization of bond discount	11,114	11,114
Provision for bad debt	(255,226)	227,159
Amortization of entrance fees	(8,165,330)	(7,685,172)
Forfeited entrance fees	(2,078,828)	(1,556,881)
Accrual of resident refund	703,650	196,351
Proceeds from entrance fees	15,509,165	19,336,435
Loss on disposal of equipment	103,124	75,674
Net realized (gains) on sale of investments	(1,263,516)	(85,057)
Net unrealized (gains) on investments	(4,353,998)	(5,179,551)
Contributions restricted for endowment	(27,295)	(35,171)
Deferred revenue, pooled income fund	(6,238)	194
Change in value of charitable remainder trusts and pooled income funds	(14,916)	(6,133)
Change in the value of gift annuity contracts	14,838	(71,949)
Changes in operating assets and liabilities:		
Accounts receivable	558,582	(540,150)
Prepaid expenses and other current assets	(5,604)	(11,296)
Contributions receivable	25,000	(24,821)
Other receivables	(29,431)	460,799
Accounts payable and accrued expenses	279,499	777,987
Interest payable	(17,583)	(12,812)
Deposits from residents	(99,129)	(125,481)
Obligations under gift annuity contracts	(62,208)	(49,941)
Net Cash and Cash Equivalents Provided by Operating Activities	\$ <u>15,142,343</u>	\$ <u>18,964,981</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Equipment purchased under capital leases	\$ <u>-</u>	\$ <u>3,876</u>

The accompanying notes are an integral part of these consolidated financial statements

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Casa de las Campanas (“Casa”) was incorporated on September 19, 1990 as a California non-profit corporation for the purposes of constructing, owning and operating a continuing care retirement community. The facilities include 374 independent living units, 36 assisted living units with a capacity of 45 beds, 18 dementia/assisted living units with a capacity of 27 beds, and an adjacent 97 bed skilled nursing facility. Casa provides housing, health care and other related services to the elderly honoring their dignity and promoting independence.

Casa operates under the continuing care concept whereby residents enter into agreements that require payment of a one-time entrance fee and a monthly charge. Generally, these payments will entitle residents to the use and privileges of the facility for life. The residence agreement does not entitle the residents to an ownership interest in the property.

Casa Foundation (the “Foundation”), a California non-profit public benefit corporation, was established in 1994 to solicit contributions from the general public in support of Casa. The Foundation Board of Directors consists of five members, three of whom are also members of the Casa Board of Directors, and the remaining two are Casa residents in good standing. Funds of the Foundation are distributed to Casa for the benefit of its residents and operations as determined by the Foundation’s Board of Directors. The Foundation’s assets, liabilities, net assets, and results of operations are included in the accompanying consolidated financial statements.

Consolidation Policy

The accompanying consolidated financial statements include the accounts of Casa de las Campanas and Casa Foundation (collectively, the “Organization”). Inter-company transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). References to “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative GAAP.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The Organization's resources are classified for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. Accordingly, the net assets of the Organization are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations, or the donor-imposed restrictions have expired. Unrestricted net assets represent the funds that are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in its programs or supporting activities.
- *Temporarily restricted net assets* - Net assets comprised of contributions that are subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. When the donor-imposed restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets.
- *Permanently restricted net assets* - Net assets comprised of contributions subject to donor-imposed restrictions to be maintained in perpetuity. The related income is temporarily restricted either for specific purpose (donor-imposed) or time period (in accordance with GAAP).

The Organization follows the provisions of FASB ASC 958-205, "*Presentation of Financial Statements*", which provides guidance on the net asset classification and reporting of donor-restricted endowment funds for not-for-profit organizations that are subject to an enacted version of UPMIFA. The UPMIFA was signed into law in California (CPMIFA) on September 30, 2008.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include all highly-liquid debt instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are stated at estimated net realizable value. An allowance for doubtful accounts is established based upon management's estimate of uncollectible accounts. Collections on accounts previously written off are included in income as received.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include (a) investments held by trustees and the Organization under bond indenture agreements, (b) investments held in escrow accounts for Department of Social Services refund reserve and subscription and wait list deposit obligations, and (c) net assets restricted by donors. These assets include cash and cash equivalents and investments in debt and equity securities, which are stated at fair value in the accompanying consolidated financial statements.

Investments

In accordance with GAAP, investments are measured at fair value in the consolidated balance sheets. Investment income or loss (including interest, dividends, and realized gains or losses) is included in the excess of revenues over expenses unless the income is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses, unless the investments are classified as trading securities.

Property, Buildings, and Equipment

Property, buildings, and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

The estimated useful lives of the related assets are as follows:

Buildings and improvements	40 years
Property held under capital leases	3-5 years
Furniture and equipment	3-15 years
Vehicles	3-5 years

Long-Lived Assets

The Organization recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. There was no impairment of the value of such assets for the years ended July 31, 2014 and 2013.

Bond Discounts and Deferred Financing Fees

Bond discounts and deferred financing fees incurred in connection with the issuance of long-term debt are amortized using the effective interest method over the term of the associated bond issue. Unamortized bond discounts are included in long-term debt in the accompanying consolidated balance sheets.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Deposits from Residents

Deposits from residents represent entrance fees received prior to occupancy and are accounted for as liabilities of Casa, as they are refundable in accordance with the terms of the residence agreements.

Estimated Refundable Entrance Fees

Estimated refundable entrance fees are recorded based on Casa's estimate of future refunds to current residents under the terms of the contracts in force and are based on current and historical refund experience.

Entrance Fees

Fees paid by a resident upon entering a continuing care retirement contract, net of estimated future refunds, are recorded as deferred revenue from entrance fees and are amortized to income using the straight-line method over the remaining life expectancy of the resident.

Resident Fees

Resident fees are recorded net of the provision for contractual allowances, which represents the difference between established rates and per diem reimbursement.

Income Taxes

Casa and the Foundation are exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and corresponding California provisions, except to the extent of unrelated business taxable income ("UBTI") as defined by the IRC. Casa and the Foundation maintain their tax-exempt status through devoting their resources to meet the primary needs of aged persons, housing, health care, and financial security.

The Organization evaluates uncertain tax positions through its review of the sources of income to identify UBTI and certain other matters, including those which may affect its tax exempt status. The effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimatable. As of July 31, 2014 and 2013, the Organization had no uncertain tax positions requiring accrual.

The Organization files federal and California exempt organization returns. They are no longer subject to income tax examinations by taxing authorities for years before 2010 and 2009 for their federal and state tax filings, respectively.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Charity Care

Pursuant to its mission statement as described in Note 1, the Organization provides free services to those residents who are unable to pay all or a portion of their charges and who meet certain eligibility criteria.

Records are maintained to identify and monitor the level of charity care provided. For the years ended July 31, 2014 and 2013, unreimbursed costs foregone for charity care amounted to \$490,083 and \$636,856, respectively. For the years ended July 31, 2014 and 2013, charitable gifts received to offset costs amounted to \$57,543 and \$19,177, respectively. The Organization used an average cost per resident day amount to determine unreimbursed costs based on widely accepted cost reporting methodologies.

Public Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions of assets other than cash are recorded at their estimated fair value.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Public contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports them as unrestricted support.

In-Kind Service Contributions

In accordance with GAAP, in-kind services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In addition, the Organization receives a significant amount of donated services from unpaid volunteers that are essential to the completion of the Organization's purposes. However, these services have not been recorded in the consolidated financial statements since they do not meet the accounting criteria necessary for recognition.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Split-Interest Agreements

The following instruments are recorded as income or net assets at the present value of the Organization's beneficiary interest:

Charitable Remainder Trusts - The Foundation is the beneficiary of four charitable remainder trust agreements (the Trusts). The Trusts are irrevocable, and the beneficiary designation may not be changed. Upon the death of the beneficiaries, or other termination of the trusts as defined, the remaining trust assets become the property of the Foundation as stipulated in the trust agreements.

The beneficial interest in the Trusts is recorded at the expected fair value to be received by the Foundation. The Foundation calculated the expected fair value using the fair value of the Trusts at year-end, discounted at a rate of 2.40% over the life expectancy of the Trusts beneficiaries. The change in fair value of the Trusts is reflected in the consolidated statements of operations and changes in net assets. All beneficial interests in charitable remainder trusts are included in the accompanying consolidated balance sheets under assets whose use is limited or restricted and are classified as long-term.

Charitable Gift Annuities - Donors have contributed assets to the Organization in exchange for a promise by the Organization to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists as the assets are held by, and the annual liability is an obligation of, the Organization. The contributed assets are recorded at fair market value on the date of receipt, and the liability obligation is recorded at the expected value of the annuity liability. The expected value of the annuity liability is the present value of the future annuity payments, discounted at the prescribed Federal mid-term rate at the date of the gift over the life expectancy of the donor or the designated beneficiary, as defined in the Insurance Code of the State of California. These rates are based on the highest federal mid-term rate available over a three month period including the month of the gift. The change in fair value of the annuity liability is reflected in the consolidated statements of operations and changes in net assets. The Organization is required to maintain a state mandated reserve to cover its gift annuity liability. For the years ended July 31, 2014 and 2013, the amount of the reserve was \$1,675,908 and \$1,738,116, respectively, and is included in the accompanying consolidated balance sheets under assets whose use is limited or restricted.

Pooled Income Fund - The Foundation has formed one pooled income fund (the "Fund"). Donors have made irrevocable contributions of assets to the Fund in exchange for a promise by the Foundation to pay the actual income, as defined, earned on the donor's contribution for the remainder of the donor's or the donor's designated income beneficiary's lifetime.

Upon the death of the donor or the designated income beneficiary, the value of his/her proportionate interest at the time reverts to the Foundation to be used for such purposes as the donor may have designated, or, if there was no designation, as the Foundation's Board of Directors may determine.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Split-Interest Agreements (Continued)

The assets of the pooled income fund are held and managed by an outside trustee who is responsible for investing the assets and making the quarterly income distributions to the beneficiaries. The contributed assets are recorded at fair market value on the date of receipt, and temporarily restricted contribution revenue is recorded at the present value of the fair value of assets received, discounted at a rate of 3.8% over the life expectancy of the donors or beneficiaries. The change in fair value of the contributed assets is reflected in the consolidated statements of operations and changes in net assets. The assets under the pooled income fund are included in the accompanying consolidated balance sheets under assets whose use is limited or restricted.

Excess of Revenues over Expenses

The accompanying consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses include net unrealized gains or losses on other-than-trading investments and net assets released from restrictions used for capital expenditures.

Use of Estimates

The process of preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and gains, and expenses and losses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Fair Value of Financial Instruments

Financial instruments included in the Organization's consolidated balance sheets include cash and cash equivalents, investments, accounts and contributions receivable, payables arising in the ordinary course of business, split-interest agreements and long-term debt. For cash and cash equivalents, accounts and contributions receivable, and payables arising in the ordinary course of business, the carrying amounts represent a reasonable estimate of the fair values due to their short-term maturity. Split-interest agreements consist of numerous arrangements in which a donor establishes and funds a trust administered by a third party other than the Organization. These trusts are recorded at the fair value of the net assets contributed to the trust for which the Organization has a beneficial interest. The fair value of long-term debt is determined using current applicable rates for similar instruments and approximates the carrying value of such debt.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

Investments are reflected at estimated fair value in accordance with FASB ASC 820, "*Fair Value Measurement and Disclosure*". FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value based on observable and unobservable data.

The hierarchy categorizes the inputs into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority given to unobservable inputs (Level 3). The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Investments with readily determinable fair values are reported at fair value as determined by quoted market prices (Level 1). Investments that represent pooled investment funds that are not publicly traded are reported at fair value based on quoted market prices of the underlying securities (Level 2).

Investments also include investments in limited partnerships and other alternative investments, which are made in accordance with the Organization's investment policy and are monitored through quarterly performance reviews. The alternative investments deal in and with securities of all kinds and descriptions. Publicly traded securities within the alternative investments are generally valued by reference to closing market prices on one or more national securities exchanges or generally accepted pricing services selected by the custodial trustees of the respective alternative investments. Securities not valued by such pricing services are valued based upon bid quotations obtained from independent dealers in securities. In the absence of any independent quotations, securities will be valued by respective custodial trustees based on the data obtained from the best available sources (Level 3). Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investment existed.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different fair value measurement at the measurement date. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one level to another. In such instances, the transfer is reported at the end of the reporting period. There have been no changes in the valuation methodologies used at July 31, 2014 and 2013 to value the Organization's assets at fair value.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Guidance

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". As compared to existing guidance on revenue recognition, ASU 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP in addition to those entities that apply IFRS. The guidance in ASU 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. ASU 2014-09 is effective for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASU 2014-09 on the presentation of its financial statements.

In the normal course of business, the Organization evaluates all new accounting pronouncements to determine the potential impact they may have on its financial statements. Based upon this evaluation, the Organization does not expect any of the remaining recently issued accounting pronouncements, which have not already been adopted by the Organization, to have a material impact on its consolidated financial statements.

Note 2: Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and receivables. The Organization places its cash and cash equivalents and investments with several high-credit quality financial institutions. For the years ended July 31, 2014 and 2013, cash accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term, and that such changes could materially affect the amounts reported in the consolidated financial statements. The Organization mitigates these risks with an investment policy designed to limit the exposure and concentration, while achieving optimal return within reasonable risk tolerances.

With respect to the receivables, the Organization's customer base consists of a large number of customers. The Organization performs credit evaluations and writes off uncollectible amounts as they become known.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 3: Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted were available for the following purposes for the years ended July 31:

	<u>2014</u>	<u>2013</u>
Held by Trustee under bond indenture	\$ 6,202,180	\$ 6,176,922
Refund reserve*	2,082,506	11,533,228
Restricted by donors	1,993,809	1,941,424
Charitable gift annuities	1,675,908	1,738,116
Charitable remainder trusts	315,877	83,441
Pooled income fund	<u>320,022</u>	<u>314,115</u>
	12,590,302	21,787,246
Less: amounts required for current liabilities	<u>(5,294,668)</u>	<u>(8,226,163)</u>
	<u>\$ 7,295,634</u>	<u>\$ 13,561,083</u>

*In order to meet the refund reserve requirement for the years ended July 31, 2014 and 2013, the California Department of Social Services (CDSS) approved for the reserve requirement to be secured by the escrow agreement and the deed of trust on the Organization's facilities, including real property.

Note 4: Investments and Fair Value Disclosure

The Organization's investments are managed as a diversified portfolio governed by various third party brokers and financial institutions in accordance with the Organization's investment policy. The composition of investments at fair value at July 31 was as follows:

	<u>2014</u>	<u>2013</u>
Money market funds	\$ 6,566,246	\$ 6,541,983
Domestic - bond mutual funds	9,131,875	9,488,002
International - bond mutual funds	9,291,156	6,171,523
Domestic - equity (including mutual funds)	31,494,832	25,612,905
International - equity (including mutual funds)	17,211,523	15,012,649
REIT	3,328,279	2,730,655
Limited partnerships	1,051,938	1,143,839
Absolute return	5,743,539	4,736,942
Commodities	3,865,551	3,477,371
Futures	1,511,958	1,558,069
Options	2,287,440	2,072,939
Receivables due under charitable remainder trusts	<u>315,887</u>	<u>83,441</u>
	91,800,224	78,630,318
Less: amounts classified as assets whose use is limited or restricted - current and non-current	<u>(12,590,302)</u>	<u>(21,787,246)</u>
Long-term investments	<u>\$ 79,209,922</u>	<u>\$ 56,843,072</u>

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 4: Investments and Fair Value Disclosure (Continued)

Investment income and (losses) on cash equivalents, investments, and assets whose use is limited or restricted amounted to \$6,844,127 and \$6,559,791 for the years ended July 31, 2014 and 2013, respectively, and are summarized as follows:

	2014		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 1,373,986	\$ 26,390	\$ 1,400,376
Realized gains on sale of investments	1,234,164	29,352	1,263,516
Net unrealized gains on investments	4,258,369	95,630	4,353,999
Change in value of gift annuity contracts	(14,838)	14,916	78
	6,851,681	166,288	7,017,969
Less: investment expenses	(173,842)	-	(173,842)
Total	<u>\$ 6,677,839</u>	<u>\$ 166,288</u>	<u>\$ 6,844,127</u>

	2013		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 1,372,011	\$ 32,291	\$ 1,404,302
Realized gains on sale of investments	72,818	12,238	85,056
Net unrealized gains on investments	5,046,522	133,029	5,179,551
Change in value of gift annuity contracts	41,771	6,133	47,904
	6,533,122	183,691	6,716,813
Less: investment expenses	(157,022)	-	(157,022)
Total	<u>\$ 6,376,100</u>	<u>\$ 183,691</u>	<u>\$ 6,559,791</u>

The following tables present the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of July 31, 2014 and 2013:

	2014			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Money market funds	\$ 6,606,607	\$ -	\$ -	\$ 6,606,607
Mutual funds	70,733,191	-	-	70,733,191
Limited partnerships	-	-	1,051,938	1,051,938
Absolute Return	3,491,295	-	2,252,244	5,743,539
Commodities	3,031,456	834,095	-	3,865,551
Futures	1,511,958	-	-	1,511,958
Options	2,287,440	-	-	2,287,440
Total	<u>\$ 87,661,947</u>	<u>\$ 834,095</u>	<u>\$ 3,304,182</u>	<u>\$ 91,800,224</u>

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 4: Investments and Fair Value Disclosure (Continued)

	2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds	\$ 6,541,983	\$ -	\$ -	\$ 6,541,983
Mutual funds	59,082,613	16,562	-	59,099,175
Limited partnerships	-	-	1,143,839	1,143,839
Absolute Return	2,632,257	-	2,104,685	4,736,942
Commodities	2,760,375	716,996	-	3,477,371
Futures	1,558,069	-	-	1,558,069
Options	2,072,939	-	-	2,072,939
Total	<u>\$ 74,648,236</u>	<u>\$ 733,558</u>	<u>\$ 3,248,524</u>	<u>\$ 78,630,318</u>

Investments in limited partnerships are valued based on the pro-rata interest in the net assets of the underlying investment as reported by the investment funds' investment managers or general partners. An advisor independently evaluates the valuation provided by the fund managers and this evaluation takes into consideration numerous factors which may include, but are not limited to, the attributes of the interest held, risks inherent in the inputs to the manager's valuation, restrictions on the disposition of the interest, and data reasonably available to market participants.

Absolute return funds invest primarily in investment funds, limited partnerships, limited liability companies, or non-U.S. corporations. Valuation of interests in these funds is based on an amount equal to the pro-rata interest in net assets, which are at fair value consistent with the measurement principles in FASB ASC 946, "*Financial Services - Investment Companies*", of such investment funds as reported by the management of the investment funds monthly, adjusted for management and incentive fees, if any.

For investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended July 31, 2014 and 2013, the reconciliation of beginning and ending balances is as follows:

	2014		
	Limited Partnerships	Absolute Return	Total
Fair value, beginning of year	\$ 1,143,839	\$ 2,104,685	\$ 3,248,524
Realized gains, net	110,612	147,559	258,171
Unrealized gains (losses)	6,151	-	6,151
Purchases/issuances	5,000	-	5,000
Sales/settlements	(213,664)	-	(213,664)
Fair value, end of year	<u>\$ 1,051,938</u>	<u>\$ 2,252,244</u>	<u>\$ 3,304,182</u>

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 4: Investments and Fair Value Disclosure (Continued)

	2013		
	Limited Partnerships	Absolute Return	Total
Fair value, beginning of year	\$ 1,190,465	\$ 2,661,167	\$ 3,851,632
Realized gains, net	85,274	184,258	269,532
Unrealized gains (losses)	(4,846)	8,342	3,496
Purchases/issuances	18,749	-	18,749
Sales/settlements	(145,803)	(749,082)	(894,885)
Fair value, end of year	<u>\$ 1,143,839</u>	<u>\$ 2,104,685</u>	<u>\$ 3,248,524</u>

The amount of total gains or losses for the years ending July 31, 2014 and 2013 included in the change in net assets due to the change in unrealized gains or (losses) that relate to assets and liabilities held at the end of the reporting period were \$6,151 and \$3,496, respectively, and are included in net unrealized gains (losses) on investments in the consolidated statements of operations and changes in net assets.

Note 5: Property, Buildings and Equipment:

Property, buildings, and equipment were as follows at July 31:

	2014	2013
Land and improvements	\$ 15,092,900	\$ 15,029,219
Buildings and improvements	94,549,401	90,678,902
Property under capital leases	123,858	123,858
Furniture and equipment	16,891,964	17,084,327
Vehicles	765,458	701,503
Art collection	342,114	340,153
	127,765,695	123,957,962
Less: Accumulated depreciation and amortization	(64,643,743)	(60,253,573)
	63,121,952	63,704,389
Construction in progress	907,045	1,195,248
Property, Buildings and Equipment, Net	<u>\$ 64,028,997</u>	<u>\$ 64,899,637</u>

Depreciation expense for the years ended July 31, 2014 and 2013 amounted to \$5,448,926 and \$5,331,263, respectively.

Casa has several projects under construction and pre-development. Total predevelopment and construction costs as of July 31, 2014 and 2013 amounted to \$907,045 and \$1,195,248, respectively. Casa's estimated costs to complete construction of these projects will be approximately \$21,962,000.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 6: Endowment

The Organization's endowment consists of various individual funds established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board of Directors (the Board) to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has interpreted the CPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the CPMIFA.

In accordance with the CPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of the Organization and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Organization, and
- The investment policies of the Organization.

Composition and Changes in Endowment Net Assets

Endowment net assets composition by type of fund was as follows at July 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (339,571)	\$ 292,370	\$ 2,526,871	\$ 2,479,670
Board-designated endowment fund	<u>2,746,444</u>	<u>-</u>	<u>-</u>	<u>2,746,444</u>
	<u>\$ 2,406,873</u>	<u>\$ 292,370</u>	<u>\$ 2,526,871</u>	<u>\$ 5,226,114</u>

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 6: Endowment (Continued)

Composition and Changes in Endowment Net Assets (Continued)

Changes in endowment net assets for the year ended July 31, 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,191,342	\$ 202,503	\$ 2,279,879	\$ 4,673,724
Investment return:				
Investment income, net	43,798	25,717	-	69,515
Net appreciation, (realized/unrealized)	<u>155,398</u>	<u>123,806</u>	<u>-</u>	<u>279,204</u>
Total investment return	199,196	149,523	-	348,719
Contributions	103,955	-	251,208	355,163
Transfers	-	-	(4,216)	(4,216)
Appropriation of endowment assets for expenditure	<u>(87,620)</u>	<u>(59,656)</u>	<u>-</u>	<u>(147,276)</u>
Endowment net assets, end of year	<u>\$ 2,406,873</u>	<u>\$ 292,370</u>	<u>\$ 2,526,871</u>	<u>\$ 5,226,114</u>

Endowment net assets composition by type of fund was as follows at July 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (311,872)	\$ 202,503	\$ 2,279,879	\$ 2,170,510
Board-designated endowment fund	<u>2,503,214</u>	<u>-</u>	<u>-</u>	<u>2,503,214</u>
	<u>\$ 2,191,342</u>	<u>\$ 202,503</u>	<u>\$ 2,279,879</u>	<u>\$ 4,673,724</u>

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 6: Endowment (Continued)

Composition and Changes in Endowment Net Assets (Continued)

Changes in endowment net assets for the year ended July 31, 2013 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,898,404	\$ 52,089	\$ 2,244,708	\$ 4,195,201
Investment return:				
Investment income, net	51,450	30,758	-	82,208
Net appreciation, (realized/unrealized)	<u>200,309</u>	<u>143,693</u>	<u>-</u>	<u>344,002</u>
Total investment return	251,759	174,451	-	426,210
Contributions	117,220	-	19,000	136,220
Transfers	-	-	16,171	16,171
Appropriation of endowment assets for expenditure	<u>(76,041)</u>	<u>(24,037)</u>	<u>-</u>	<u>(100,078)</u>
Endowment net assets, end of year	<u>\$ 2,191,342</u>	<u>\$ 202,503</u>	<u>\$ 2,279,879</u>	<u>\$ 4,673,724</u>

Endowment Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the law requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$339,571 and \$311,872 at July 31, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted endowment funds that the Organization must hold in perpetuity as well as quasi endowment funds established by the Board of Directors.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 6: Endowment (Continued)

Return Objectives and Risk Parameters (Continued)

Under this policy, as approved by the Board, the endowment funds are invested in a manner that is expected to:

- Produce a nominal average annual rate of return of 6.20% assuming 2.30% inflation, or an annual compound total rate of return of approximately 3.90% in excess of the rate of inflation, as measured by the National Urban Consumer Price Index (CPI), in the long-term portfolio;
- Perform above average in the comparable fund universe with volatility that is equal to or less than that of such similarly managed funds.

Actual returns in any given year may vary from the expected amounts as past experience is not an indicator of future performance.

Strategies Employed for Achieving Objectives

To satisfy its long-term return objectives, the Organization relies on a total-return strategy in which investment returns and real growth are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). As asset allocation is the major determinant of investment performance, the endowment assets are allocated across a number of investment classes to provide diversification and achieve long-term return objectives. As a general policy guideline, the target asset allocations for Quasi Endowment Funds are 75% to growth investments, including both equities and alternative investments, and 25% to fixed income investments. The long-term portfolio will be invested in mutual and/or exchange traded funds (ETF), Hedge Funds - Fund of Funds (FoF), limited partnerships, structured notes, and/or individually managed accounts that focus on specific style segments within each asset class. The asset allocation plan provides for diversification of assets in an effort to maximize the investment return and manage the risk of the endowment assets consistent with market conditions. Due to the fluctuation of market values, allocations within a specified range constitute compliance with the policy.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Currently, Casa de las Campanas' intent is to reinvest all dividends, interest and capital gains in the long-term portfolio. At a future date, the Board may elect to establish a spending policy and will do so subject to a spending analysis that will consider the impact of various spending policies on the real value of the portfolio relative to the current allocation.

Casa Foundation has a spending policy that applies to all endowment funds (unrestricted and permanently restricted) that provides for distribution of a percentage of assets that is sufficient to allow for growth in principal net of expected inflation and investment management fees. The formula for determining the distributions percentage evaluates long-term expected rate of returns, inflation and fees.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 6: Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

In establishing this policy, the Organization considered the long-term expected return on its endowment funds. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment funds to grow, at a rate equal to or above the CPI. This is consistent with the Organization's objective to maintain the purchasing power of the endowment funds held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at July 31:

	<u>2014</u>	<u>2013</u>
Endowment Funds - Purpose Restriction:		
Assets restricted for scholarships	\$ 115,050	\$ 76,677
Assets restricted for health care	27,274	20,793
Assets restricted for activities	11,332	9,269
Assets restricted for music activities	43,070	32,060
Assets restricted for care	<u>95,644</u>	<u>63,704</u>
Total endowment funds	<u>292,370</u>	<u>202,503</u>
Non-Endowment Funds - Purpose Restriction:		
Assets restricted for activities	7,887	11,847
Assets restricted for art	6,455	8,013
Assets restricted for chaplains	2,952	1,366
Assets restricted for charitable remainder trusts	86,212	83,441
Assets restricted for art collections	342,114	340,155
Assets restricted for education assistance	7,481	7,478
Assets restricted for employee disaster and assistance	5,597	5,035
Assets restricted for employee scholarships	49,989	50,193
Assets restricted for landscape	1,497	1,497
Assets restricted for maintenance	7,744	9,347
Assets restricted for music activities	13,532	13,745
Assets restricted for pooled income	227,681	225,703
Assets restricted for the residential fund	62	62
Assets restricted for residential hardship	6	-
Assets restricted for the Sur library	13,007	15,438
Assets restricted for the Rose and Garden Club	20,156	21,485
Assets restricted for the Rosenmeier Health Fund	96,525	95,345
Assets restricted for the transportation fund	<u>16,343</u>	<u>20,158</u>
Total non-endowment funds	<u>905,240</u>	<u>910,308</u>
	<u>\$ 1,197,610</u>	<u>\$ 1,112,811</u>

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 7: Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the donor-restricted purposes or time requirements during the years ended July 31, 2014 and 2013 as follows:

	2014	2013
Resident hardships	\$ 40,088	\$ 5,445
Employee scholarships	51,718	34,491
General purpose	31,652	45,777
Capital expenditures	28,923	68,614
	<u>\$ 152,381</u>	<u>\$ 154,327</u>

Note 8: Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at July 31:

	2014	2013
Hunt Scholarship Endowment Fund		
(Income is temporarily restricted for scholarships)	\$ 20,041	\$ 20,041
Burk Scholarship Endowment Fund		
(Income is temporarily restricted for scholarships)	9,500	9,500
Yu Scholarship Endowment Fund		
(Income is temporarily restricted for scholarships)	19,505	19,505
Palmer Scholarship Endowment Fund		
(Income is temporarily restricted for scholarships)	17,000	17,000
Carpenter Activities		
(Income is temporarily restricted for activities)	26,209	26,209
Transportation Activities		
(Income is temporarily restricted for transportation activities)	26,171	26,171
Gilkeson Scholarship Endowment Fund		
(Income is temporarily restricted for scholarships)	18,554	18,553
Hegewald Health Endowment Fund		
(Income is temporarily restricted for health care)	93,000	93,000
T & G Music Endowment Fund		
(Income is temporarily restricted for music)	187,209	187,209
Nauman Scholarship Endowment Fund		
(Income is temporarily restricted for scholarships)	39,650	39,650
Newman Care Endowment Fund		
(Income is temporarily restricted for resident hardship)	536,998	536,998
Wynhoff Endowment Fund		
(Income is temporarily restricted for health care)	1,038,327	808,662
Harriet Maclean General Endowment Fund		
(Income is temporarily restricted)	180,792	184,966
B&M King General Endowment Fund		
(Income is temporarily restricted)	292,415	292,415

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 8: Permanently Restricted Net Assets (Continued)

Fouts Scholarship Endowment Fund (Income is temporarily restricted)	\$ 12,000	\$ -
Wang Scholarship Endowment Fund (Income is temporarily restricted)	<u>9,500</u>	<u>-</u>
	<u>\$ 2,526,871</u>	<u>\$ 2,279,879</u>

Note 9: Residence Agreements

For the right to occupy a living unit for life and to receive certain services, residents are required to pay an entrance fee. Upon execution of a deposit agreement, \$20,000 of the entrance fee is payable with the remaining balance due on or before occupancy by the residents. Residents may cancel their Residence Agreement at any time up to 90 days after establishing residency at Casa and will be refunded the full amount of the entrance fee paid, less an application fee of \$1,000.

After the 90-day period has expired, residents are entitled to receive various amounts of refunds based upon one of four agreements covering Casa as of July 31, 2014 as follows:

- Standard resident agreement (386 agreements) - If cancellation occurs in the first seven and one-half years of residency, the resident shall be refunded the entrance fee, less 10% of the amount paid and 1% for each month or partial month that they were a resident. After seven and one-half years of residency, no refund is made. If the resident expires after the 90-day cancellation period, no refund is made and the unamortized entrance fee is recognized into income.
- Refundable 50 Plan (1 agreement) - Resident (or their estate) is entitled to a refund of 50% of the entrance fee paid. This plan is no longer offered.
- Refundable 75 Plan (44 agreements) - Residents (or their estates) are entitled to a refund of 75% of the entrance fee paid.
- Refundable 80 Plan (2 agreements) Residents - (or their estates) are entitled to a refund of 80% of the entrance fee paid. This plan is no longer offered.

Included in deferred revenue from entrance fees as of July 31, 2014 and 2013 are approximately \$48,484,000 and \$44,524,000, respectively, of amounts contractually refundable under these agreements.

In addition to the entrance fees, all residents are charged monthly fees. In addition to receiving various services such as food, utilities, cleaning, scheduled transportation services, and other services offered by Casa, residents are entitled to various levels of care, including assisted living and nursing care.

Subsequent to July 31, 2014, Casa implemented a new standard resident agreement whereby a decreasing portion of the entrance fee is refundable after the first 90 days less 2% per month if the resident cancels or terminates. If Casa terminates the entrance fee agreement, the refund will be decreased for reasonable cost of services including a processing fee. The refunds are not subject to re-occupancy of the housing unit.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 10: Deferred Entrance Fees

Monthly fees are established at the inception of occupancy and may be increased by Casa according to economic necessity, which is related to the percentage change in the prior year per capita cost of operating expenses of Casa for furnishing services to the residents.

During the year ended July 31, 2011, Casa began offering residents an option to rent a unit on a month to month basis. For the right to occupy a living unit under a Rental Agreement, residents are required to pay security deposit, community fee and monthly rental fees. The rental contract fee excludes the various levels of care granted to the entrance fee related contracts. As of July 31, 2014 and 2013, there was one unit occupied under a Rental Agreement.

Deferred entrance fees are amortized to income using the straight-line method over future periods based on the estimated life of the resident in accordance with FASB ASC 954-430, "*Health Care Entities - Deferred Revenue*". The period of amortization is adjusted annually based on the actuarially determined estimated remaining life expectancy of each individual or joint and last survivor life expectancy of each pair of residents occupying the same unit, as published in Section 1792.2 of the State of California Continuing Care Contract Statutes. The unamortized portion is included in deferred revenues from entrance fees in the accompanying consolidated balance sheets.

At July 31, 2014 and 2013, deferred revenue from unamortized deferred entrance fees consists of the following:

	<u>2014</u>	<u>2013</u>
Deferred entrance fees before repayment	\$ 124,773,371	\$ 118,360,445
Less: accumulated amortization of deferred entrance fees	<u>(53,756,411)</u>	<u>(51,911,484)</u>
Deferred revenue from unamortized deferred entrance fees, net	<u>\$ 71,016,960</u>	<u>\$ 66,448,961</u>

During 2014 and 2013, the deferred entrance fees amortized into income were \$8,165,330 and \$7,685,172, respectively, based on total deferred entrance fees of \$124,773,371 and \$118,360,455, respectively.

The amount shown in the accompany consolidated balance sheets for unamortized entrance fees has been reduced by the amount set up as a liability for refunds of \$17,459,331 and \$13,054,866 at July 31, 2014 and 2013, respectively.

Note 11: Long-Term Debt

In January 2010, Casa issued \$54,310,000 Insured Revenue Bonds (Casa de las Campanas, Inc.), Series 2010 (the Bonds). The Bonds are set to mature at various dates through September 1, 2037, but can be redeemed prior to maturity. Interest on the Bonds is payable semiannually on March 1 and September 1 and is equal to all interest accrued during the period from the last such Interest Payment Date to such current Interest Payment Date.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 11: Long-Term Debt (Continued)

Casa used the proceeds of the Bonds, together with other available funds, to (i) refund the outstanding Series 2007 Bonds; (ii) fund a termination fee for a certain swap agreement in connection with the Series 2007 Bonds; (iii) finance the costs of the acquisition, construction and equipping, of certain facilities of Casa (the Project); (iv) fund a bond reserve account in an amount equal to the Bond Reserve Account Requirement for the Bonds; and (v) pay certain costs of issuance of the Bonds, including the insurance premium.

The Series 2010 Bonds are secured by (i) a security interest in all of the gross revenues of Casa, and (ii) a lien on all real property and fixtures of Casa. A contract of insurance was entered into with the Office of Statewide Health Planning and Development of the State of California (the Office), pursuant to which the Office will insure the payment of the principal of and interest on the Bonds.

In connection with the Bonds' issuance, Casa is subject to certain financial or operational covenants, such as limitations on the ability of Casa to incur indebtedness, to dispose property, or to create liens on property. Casa is also required to maintain revenues at levels sufficient to provide coverage of debt service on the Bonds or any other indebtedness. As of July 31, 2014 and 2013, Casa was in compliance with these covenants.

A debt service reserve fund is required to be maintained in the amount equal to the maximum annual bond service on all bonds outstanding as of the date issuance of the Bonds. The fund balance as of July 31, 2014 and 2013 amounted to \$3,995,001 and \$3,987,156, respectively, which is included in assets whose use is limited or restricted.

Cost of the Bonds' issuance amounted to \$2,947,996, which is reported as deferred financing fees in the accompanying consolidated financial statements is amortized over the life of the Bonds using the effective interest method.

Casa capitalized interest in connection with the construction of certain property, buildings and equipment. There was no capitalized interest for the years ended July 31, 2014 and 2013.

Long-term debt was comprised of the following at July 31:

	<u>2014</u>	<u>2013</u>
Series 2010 Insured Revenue Bonds, bearing interest at fixed rates ranging from 3% to 6%, paid semiannually on March 1 and September 1 of each year, and maturing through September 1, 2037.	\$ 50,655,000	\$ 51,710,000
Less: Current portion	(1,095,000)	(1,055,000)
Less: Unamortized discount	<u>(245,450)</u>	<u>(256,564)</u>
	<u>\$ 49,314,550</u>	<u>\$ 50,398,436</u>

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 11: Long-Term Debt (Continued)

Schedule of principal repayments on long-term debt for fiscal years ending July 31:

2015	\$ 1,095,000
2016	1,140,000
2017	1,185,000
2018	1,245,000
2019	1,310,000
2020 to 2037	<u>44,680,000</u>
	<u>\$ 50,655,000</u>

Note 12: Commitments

Obligation to Provide Future Services

Casa annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the present value of monthly fees and the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the monthly fees and deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The obligation is discounted at 5.00% and 5.00% in 2014 and 2013, respectively. At July 31, 2014 and 2013, the present value of the net cost of future services and the use of facilities did not exceed the anticipated revenues. Consequently, a liability has not been recorded.

Obligations Under Capital Leases

Casa leases certain equipment under capital lease agreements. The cost of assets under capital lease agreements amounted to \$123,858 and \$123,858, with accumulated depreciation of \$63,455 and \$42,205, as of July 31, 2014 and 2013, respectively, which is included in property, buildings, and equipment in the accompanying consolidated balance sheets and amortized over the lease terms of 3 to 5 years. Amortization expense of capital leases in 2014 and 2013, amounted to \$21,250 and \$21,185 respectively, and is included in depreciation and amortization expense (see Note 5).

Future minimum lease payments for fiscal years ending July 31 are as follows:

2015	\$ 32,745
2016	32,745
2017	<u>28,891</u>
Total minimum lease payments	94,381
Less: amount representing interest at 0% to 9.96%	<u>(15,744)</u>
Present value of net minimum capital lease payments	78,637
Less: current portion	<u>(24,133)</u>
	<u>\$ 54,504</u>

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 12: Commitments (Continued)

Management Agreement

Casa entered into a management agreement with Life Care Services LLC, which expires on July 31, 2019. Management fee expense related to this agreement, included in general and administrative expenses, was approximately \$1,075,000 and \$1,019,000, inclusive of salary and benefits, for the years ended July 31, 2014 and 2013, respectively. Amounts due and payable (net of refunds) to Life Care Services LLC, amounted to approximately \$224,000 and \$79,600 at July 31, 2014 and 2013, respectively. Management fee expense may vary year to year as certain amounts are based upon an incentive performance computation.

In October 2013, Casa entered into a development agreement with LCS Development LLC. The agreement covers services relating to the renovation and expansion of existing buildings and common spaces on the Casa campus, including the following: planning and development, assisting with financing, managing the state and local approvals, arrangement of design and construction services, and handling certain bookkeeping functions. A development fee equal to 4.75% of the capital costs relating to the project will be paid as certain milestones detailed in the agreement are met throughout the development and construction phases of the renovation and expansion project, which is expected to commence during 2015. For the year ended July 31, 2014, amounts paid under this contract totaled \$164,710. Amounts due and payable under this agreement were approximately \$46,100 at July 31, 2014.

Purchase Commitment

Casa is obligated to buy a minimum amount of electricity under a Master Energy Sales Agreement (the Agreement) that expires May 31, 2016. Casa may also sell excess energy back in the open market. As of July 31, 2014, the remaining commitment under the Agreement amounted to \$785,000. Expenditures under the Agreement amounted to \$428,262 and \$438,650 for the years ended July 31, 2014 and 2013, respectively.

Litigation

Casa may, from time-to-time, be involved in litigation and regulatory investigations that arise in the normal course of doing business. After consultation with legal counsel and based on current facts and circumstances, management believes that resolution of such matters, if any, is not expected to have a material adverse effect on the financial position of Casa.

Note 13: Benefit Plan

Casa sponsors a 403(b) defined contribution plan (the Plan) covering all eligible employees. Eligible employees may defer their compensation as employee contribution, subject to current IRC limits. Casa currently makes matching contributions to the Plan in the amount equal to 50% of the employee contribution, not to exceed 3% of the eligible compensation. Casa contributions to the Plan for 2014 and 2013 amounted to \$168,596 and \$106,849, respectively.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 14: Insurance Coverage

Professional Liability

Casa is insured for professional and general liability claims, including malpractice, under claims made policy for \$1,000,000 per occurrence and \$3,000,000 aggregate and \$27,500,000 program aggregate. Losses in excess of the limits are covered by an umbrella liability policy up to \$10,000,000 per occurrence and \$50,000,000 aggregate. Deductibles under the policy range from \$0 to \$25,000.

Self-Insurance

Casa was self-insured for workers compensation claims up to a maximum of \$250,000 per occurrence until July 31, 2009. Self-insured losses were accrued based upon Casa's consultant's estimates of the aggregate liability for uninsured claims incurred. As a requirement of this policy, Casa deposited funds into a workers' compensation escrow account to fund any potential unpaid claims which is classified as a workers' compensation receivable. The balance of worker's compensation receivable amounted to approximately \$250,000 at both July 31, 2014 and 2013, respectively, and is included in other receivables in the accompanying consolidated balance sheets.

Note 15: Health Care Reform

In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate savings in the Medicare and state programs.

The Organization is unable to predict the full impact of Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations or interpretive guidance. However, the Organization expects that provisions of Health Care Reform Legislation will have some effect on its business.

Note 16: Net Asset Restatement

The consolidated financial statements reflect prior period adjustments totaling \$60,000, which represent the combined effect of \$125,000 in refunds for overcharges of past services, and \$65,000 of required contributions to the 403(b) plan sponsored by the Organization. Accordingly, net assets as of July 31, 2012 have been restated.

CASA DE LAS CAMPANAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013

Note 17: Reclassifications

Certain reclassifications have been made to the 2013 financial statements in order to conform with the current year presentation.

Note 18: Subsequent Events

Events occurring after July 31, 2014, have been evaluated for possible adjustment to the consolidated financial statements or disclosure as of November 25, 2014, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CASA DE LAS CAMPANAS
CONSOLIDATING BALANCE SHEETS
JULY 31, 2014


	ASSETS			
	<u>Casa de las Campanas</u>	<u>Casa Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current Assets:				
Cash and cash equivalents	\$ 5,249,935	\$ -	\$ -	\$ 5,249,935
Assets whose use is limited or restricted required for current liabilities	7,084,899	210,735	-	7,295,634
Accounts receivable, net	977,721	-	-	977,721
Prepaid expenses and other current assets	1,066,376	2,132	-	1,068,508
Contributions receivable	-	4,680	-	4,680
Other receivables	502,861	-	-	502,861
Total Current Assets	14,881,792	217,547	-	15,099,339
Intercompany receivables (payables)	(965,954)	965,954	-	-
Assets whose use is limited or restricted, less amounts classified as current	2,804,215	2,490,453	-	5,294,668
Long-term investments	76,263,656	2,946,266	-	79,209,922
Property, buildings, and equipment, net	63,686,883	342,114	-	64,028,997
Interest in Casa Foundation	6,877,603	-	(6,877,603)	-
Deferred financing fees, net	2,225,525	-	-	2,225,525
Total Assets	<u>\$ 165,773,720</u>	<u>\$ 6,962,334</u>	<u>\$ (6,877,603)</u>	<u>\$ 165,858,451</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 3,567,090	\$ 2,557	\$ -	\$ 3,569,647
Interest payable	1,203,253	-	-	1,203,253
Deposits from residents	1,470,634	-	-	1,470,634
Current portion of obligations under capital leases	24,133	-	-	24,133
Current portion of obligations under gift annuity contracts	314,885	-	-	314,885
Current portion of estimated refundable entrance fees	2,197,865	-	-	2,197,865
Current portion of long-term debt	1,095,000	-	-	1,095,000
Total Current Liabilities	9,872,860	2,557	-	9,875,417
Obligations under capital leases, net of current portion	54,504	-	-	54,504
Obligations under gift annuity contracts, net of current portion	1,361,023	-	-	1,361,023
Estimated refundable entrance fees, net of current portion	15,261,466	-	-	15,261,466
Deferred revenue, pooled income funds	-	82,174	-	82,174
Long-term debt, net of current portion and unamortized discount	49,314,550	-	-	49,314,550
Deferred revenue from entrance fees	53,557,629	-	-	53,557,629
Total Liabilities	<u>129,422,032</u>	<u>84,731</u>	<u>-</u>	<u>129,506,763</u>
Net Assets:				
Unrestricted	32,627,207	3,153,122	(3,153,122)	32,627,207
Temporarily restricted	1,197,610	1,197,610	(1,197,610)	1,197,610
Permanently restricted	2,526,871	2,526,871	(2,526,871)	2,526,871
Total Net Assets	<u>36,351,688</u>	<u>6,877,603</u>	<u>(6,877,603)</u>	<u>36,351,688</u>
Total Liabilities and Net Assets	<u>\$ 165,773,720</u>	<u>\$ 6,962,334</u>	<u>\$ (6,877,603)</u>	<u>\$ 165,858,451</u>

CASA DE LAS CAMPANAS
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED JULY 31, 2014

	<u>Casa de las Campanas</u>	<u>Casa Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Changes in Unrestricted Net Assets:				
Revenues, Gains, and Other Support:				
Residents fees earned, including amortization of deferred revenues from non-refundable entrance fees of \$8,165,330	\$ 35,730,889	\$ -	\$ (31,093)	\$ 35,699,796
Contributions	79,423	182,720	(79,423)	182,720
Net assets released from restrictions, used for operations	-	123,458	-	123,458
Change in unrestricted interest in Casa Foundation	<u>(33,613)</u>	<u>-</u>	<u>33,613</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>35,776,699</u>	<u>306,178</u>	<u>(76,903)</u>	<u>36,005,974</u>
Operating Expenses:				
Resident services	785,812	-	-	785,812
Health center	5,188,682	-	-	5,188,682
Assisted living	2,505,084	-	-	2,505,084
Home health	1,119,718	-	-	1,119,718
Plant and maintenance	3,837,703	-	-	3,837,703
Housekeeping and laundry	1,659,412	-	-	1,659,412
Food and beverage	5,875,516	-	-	5,875,516
Donation expense	-	201,535	(108,344)	93,191
General and administrative	4,962,194	138,254	(31,093)	5,069,355
Depreciation and amortization	5,489,074	-	-	5,489,074
Interest expense for debt service	2,902,564	-	-	2,902,564
Interest expense, other	<u>14,873</u>	<u>-</u>	<u>-</u>	<u>14,873</u>
Total Operating Expenses	<u>34,340,632</u>	<u>339,789</u>	<u>(139,437)</u>	<u>34,540,984</u>
Income (Loss) from Operations	<u>1,436,067</u>	<u>(33,611)</u>	<u>62,534</u>	<u>1,464,990</u>
Other Revenues (Expenses):				
Interest and dividends, net	1,150,563	49,581	-	1,200,144
Casualty gain, net	188,357	-	-	188,357
Net realized gains on sale of investments	1,191,022	43,142	-	1,234,164
Change in value of gift annuity contracts	(3,607)	(14,838)	-	(18,445)
Other revenues (expenses)	<u>22,677</u>	<u>(4,935)</u>	<u>-</u>	<u>17,742</u>
Total Other Revenues (Expenses)	<u>2,549,012</u>	<u>72,950</u>	<u>-</u>	<u>2,621,962</u>
Excess of Revenues over Expenses	<u>\$ 3,985,079</u>	<u>\$ 39,339</u>	<u>\$ 62,534</u>	<u>\$ 4,086,952</u>

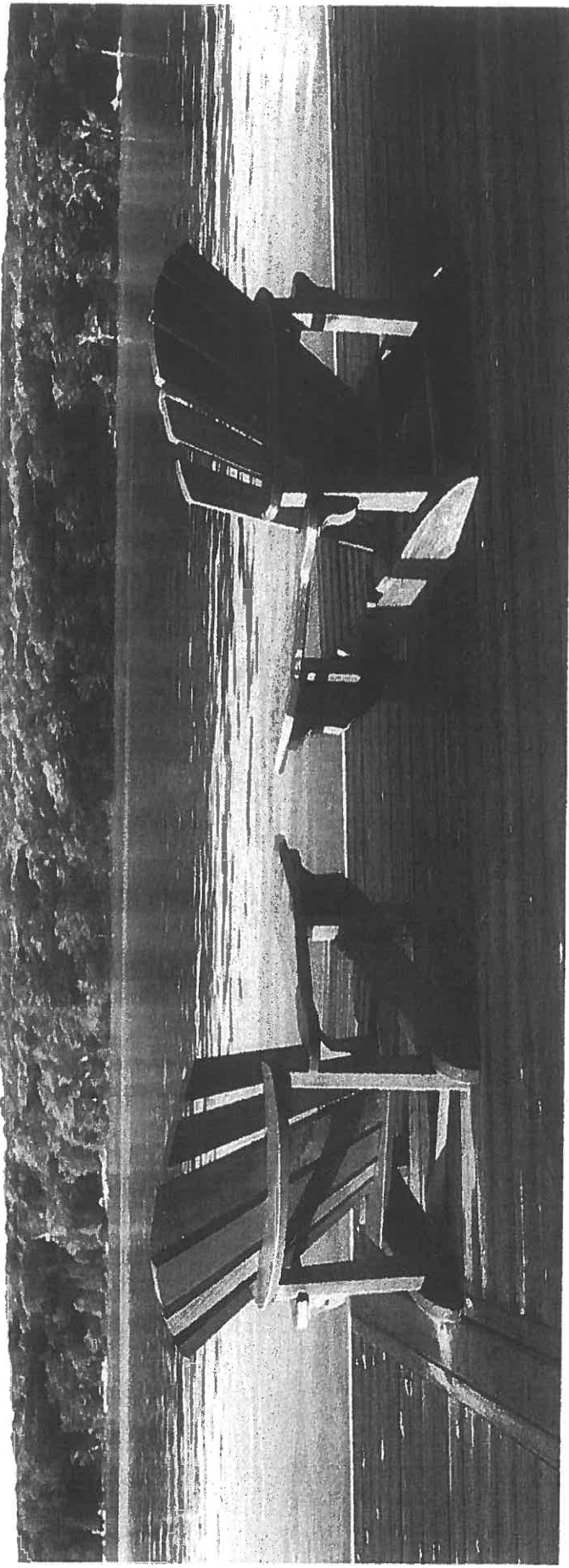
CASA DE LAS CAMPANAS
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JULY 31, 2014

	<u>Casa de las Campanas</u>	<u>Casa Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Changes in Unrestricted Net Assets:				
Excess of revenue over expenses	\$ 3,985,079	\$ 39,339	\$ 62,534	\$ 4,086,952
Net unrealized gains on investments	4,111,148	147,221	-	4,258,369
Transfer to permanently restricted net assets	-	4,216	-	4,216
Net assets released from restrictions, used for capital expenditures	28,920	28,920	(28,920)	28,920
Change in unrestricted interest in Casa Foundation	<u>253,310</u>	<u>-</u>	<u>(253,310)</u>	<u>-</u>
Increase (decrease) in Unrestricted Net Assets	<u>8,378,457</u>	<u>219,696</u>	<u>(219,696)</u>	<u>8,378,457</u>
Changes in Temporarily Restricted Net Assets:				
Contributions	-	70,892	-	70,892
Interest and dividends, net	-	26,390	-	26,390
Net realized gains on sale of investments	-	29,352	-	29,352
Net unrealized gains on investments	-	95,630	-	95,630
Net assets released from restrictions, used for operations	-	(123,458)	-	(123,458)
Net assets released from restrictions, used for capital expenditures	-	(28,923)	-	(28,923)
Change in value of charitable remainder trusts and pooled income funds	-	14,916	-	14,916
Change in temporarily restricted interest in Casa Foundation	<u>84,799</u>	<u>-</u>	<u>(84,799)</u>	<u>-</u>
Increase (decrease) in Temporarily Restricted Net Assets	<u>84,799</u>	<u>84,799</u>	<u>(84,799)</u>	<u>84,799</u>
Changes in Permanently Restricted Net Assets:				
Contributions	-	251,208	-	251,208
Transfer to unrestricted net assets	-	(4,216)	-	(4,216)
Change in permanently restricted interest in Casa Foundation	<u>246,992</u>	<u>-</u>	<u>(246,992)</u>	<u>-</u>
Increase (decrease) in Permanently Restricted Net Assets	<u>246,992</u>	<u>246,992</u>	<u>(246,992)</u>	<u>246,992</u>
Increase (decrease) in Net Assets	8,710,248	551,487	(\$51,487)	8,710,248
Net Assets at Beginning of Year, Restated	<u>27,641,440</u>	<u>6,326,116</u>	<u>(6,326,116)</u>	<u>27,641,440</u>
Net Assets at End of Year	<u>\$ 36,351,688</u>	<u>\$ 6,877,603</u>	<u>\$ (6,877,603)</u>	<u>\$ 36,351,688</u>



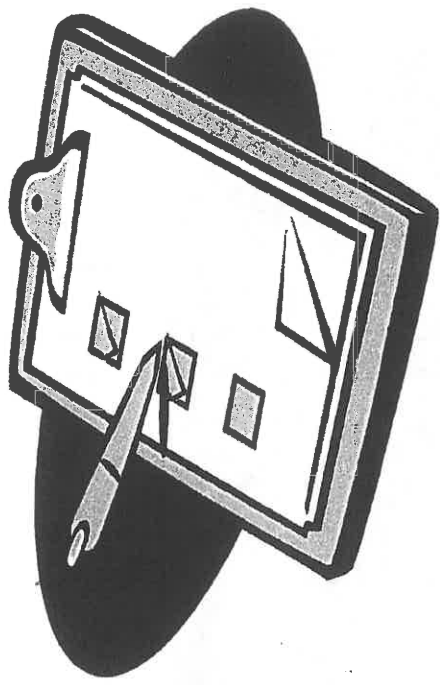
Casa de las Campanas

2013/2014 Budget Presentation

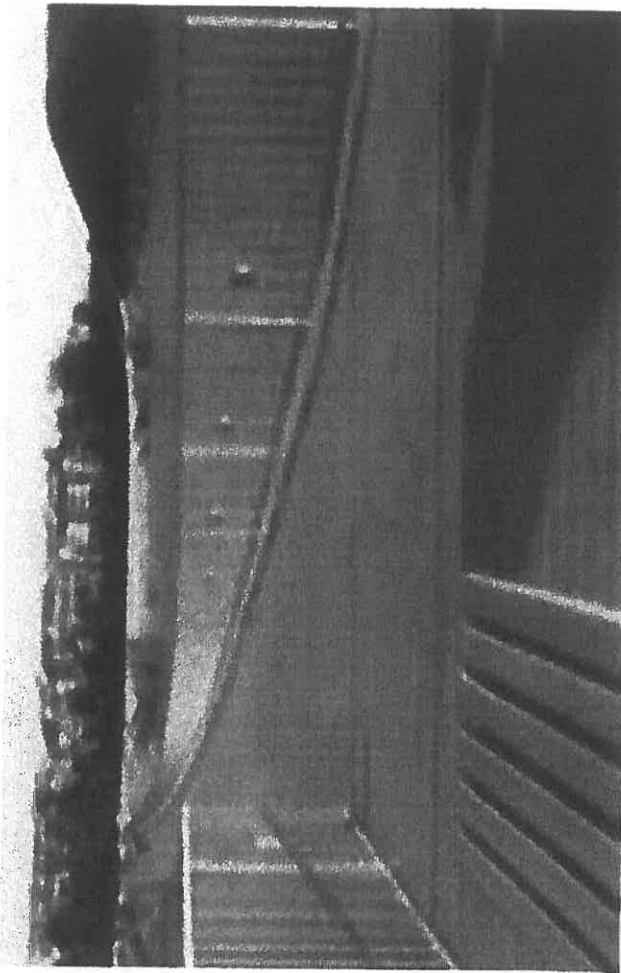


July 2, 2013

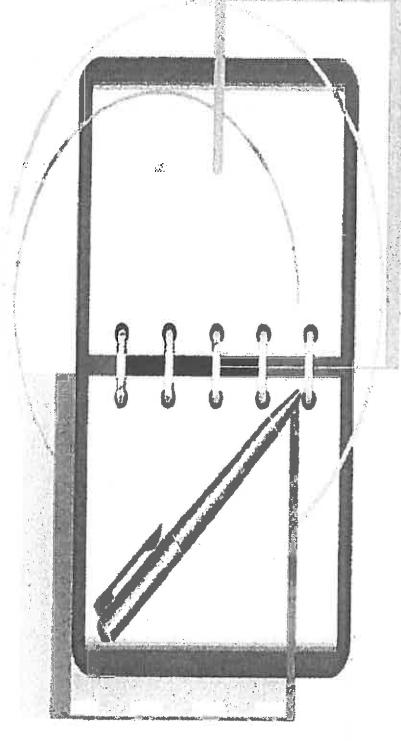
Agenda



- Overview of Budgeting Process
- Budget Goals
- Issues and Economic Trends Impacting Budget & Fee Increase
- Key Assumptions Used to Develop Budget
- Consumer Price Index including Medical
- Departmental Revenue & Expenses
- Expenses by Category
- Changes to Resident Fee Structure
- Capital Budget
- Entrance Fees
- Key Expense Changes
- Announcement of Fee Increase
- Questions & Answers



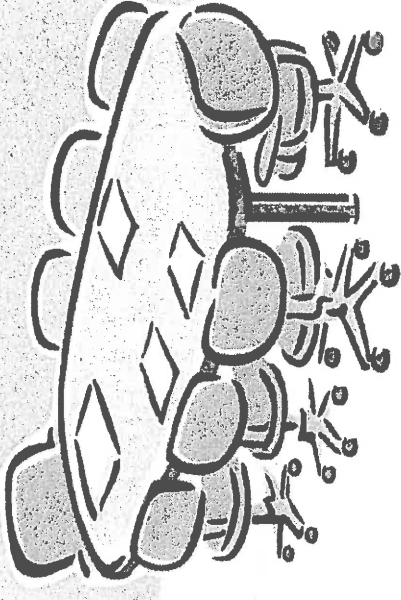
Budget Process



- Revenues
 - Based upon historical and current trends
 - Projected increased IL occupancy factoring in attrition and fluctuations in the higher levels of care compared to FY 2012/2013
 - Market conditions – continued improved Housing & Financial Markets, State of Economy & Competition in local area, including a probable new community in Scripps Ranch
- Expenses
 - Comparison to historical trends for accuracy & reasonableness as well as past years FTE's at previous higher census levels
 - Department Director involvement with vendor input & price comparisons
- Review of Inflation Factors

Budget Process

- Budget Drafts 1 & 2
 - Reviewed by LCS Corporate Accountants, DOM, and on-site Management/CFO
 - Presented to Resident Finance Committee, Executive Council, Board Finance Committee and Board of Directors at series of meetings



Overall Budget Goals – Mgmt.

- Request for Resident Finance, Council & Resident Committees regarding potential areas of savings or revenue enhancements
- Obtain competitive bids for all vendors
- Evaluate all staff positions and benefits at Casa
- Positive “bottom line” (operating expenses covered by operating revenues) & “cashflow”
- Assurance of meeting financial ratios for bond/financing covenants
- To continue to add back services & increase FTE’s as a result of the cost decreases with the previous recession over the past few years.
- Assure long-term Financial Strength of Casa & ability to provide contractual level of service to our Residents, including future services required by our current Residents



Overall Budget Goals – Board

- Review key financial ratios
 - Indicators of financial strength
- Ensure financial ratios meet established standards in bond covenants by increasing financial strength
- Compare Casa to benchmarks: other CARF/CCAC -accredited communities & Fitch rated communities
- Our established goal continues to be to achieve at least 50th percentile over time and to continue to move in a positive direction

Issues Impacting Budget

- Increase in IL occupancy averaging 94.4%. This has significantly impacted our revenues & cashflows, as we are projecting 58 move-ins in 2013 versus a budgeted 40, and 43 move-ins are budgeted for 2014 with an entrance fee increase.
- Increase in AL census from 40.50 (budget 2013) to 42.50 (budget 2014).
- Slight decrease in the Palmer Residence with a census level of 25.5 (budget 2013) vs 24.6 (budget 2014).
- Significant Capital Budget of \$8,323,000
- Continued focus on the Marketing budget with a staff of four with incentives to attract future Residents at a decreased incentive amount
- Merit raises for our employees at 2.5% average based upon competitive wage study and 8.5% increase in Health premiums.



Economic Trends

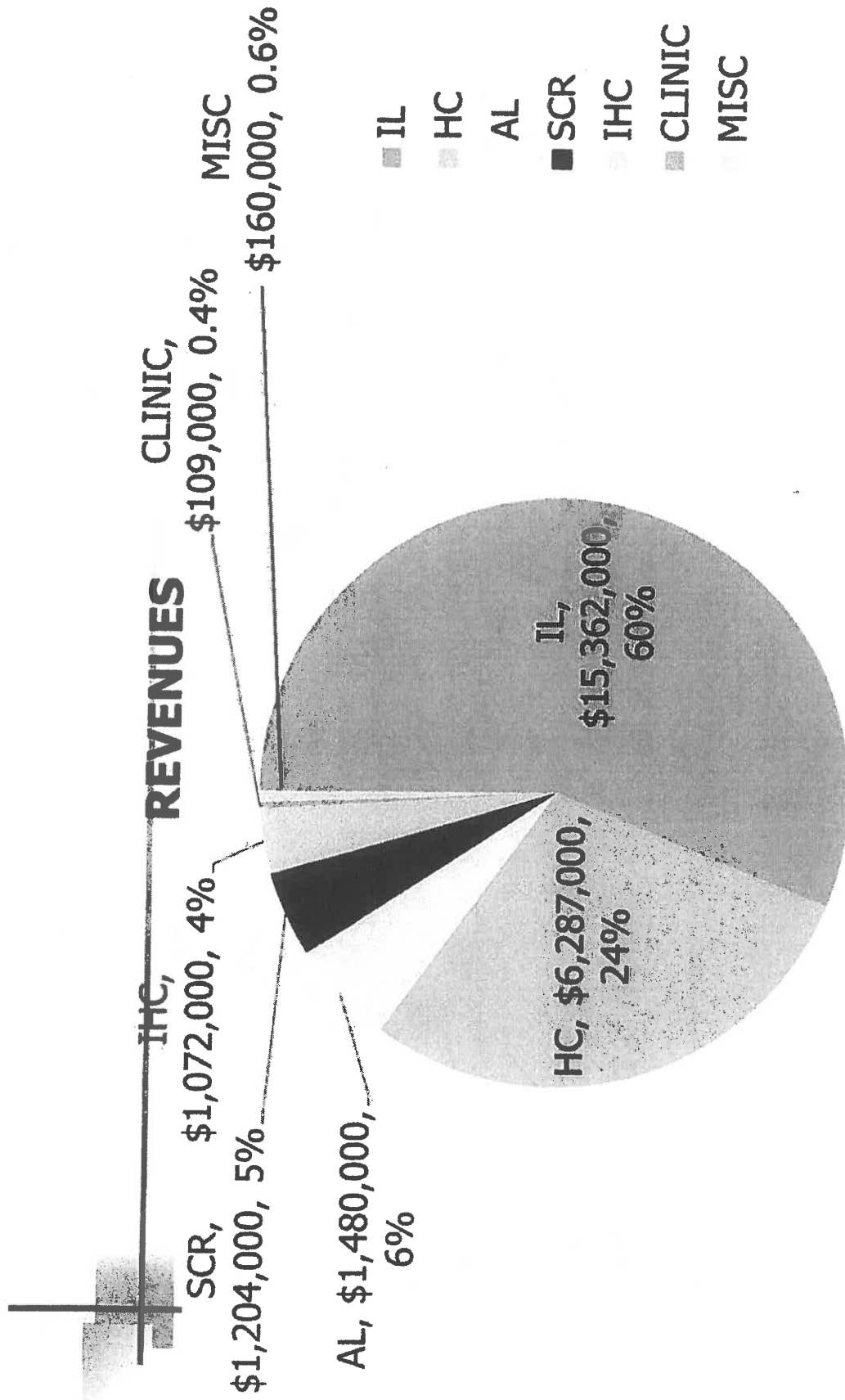
- Increased Independent Apartment occupancy with increased use of billable services (5 open apartments).
- Favorable business insurance premiums with the LCS Advantage insurance program & Workers Comp program.
- Very favorable electricity costs with Shell Oil
- Previous years budgeted cost saving strategies in 2011 actual & 2012 budget will be partially offset with additional staff hours required with the increasing IL census.

Key Revenue Assumptions

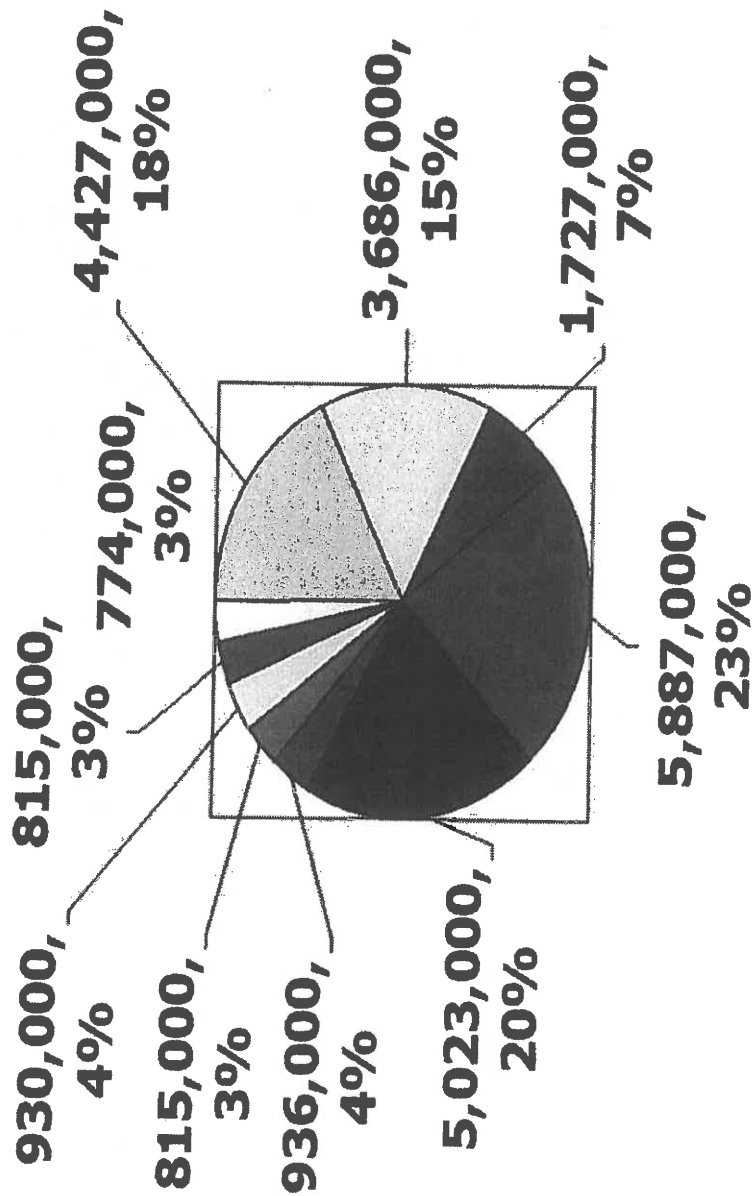
ILU	355.8/377 units occupied (one unit removed from inventory as KCC apt)	94.38% vs. 90.8% projected fiscal year '12-'13
AL	42.5/45 units occupied	94.4%
SCR	24.6/27 units occupied	91.1%
HC	69/91 units occupied *Assumes 8 conversions & 2 rooms (4 beds) used for increased Therapy Space	75.8%
IHC	Hours/month remain constant at 4,700	

Consumer Price Index

- Trailing 12 months - May 2013, CPI increased 1.4%, primarily due to a lower energy index and a 2.9% increase in medical care CPI index.



Operating Revenues by Category¹¹



Operating Expenses by Department

Operating Expenses Categories—Top 10

Wages & Benefits	\$14,414,000	58%
Food	\$2,240,000	9%
Utilities	\$1,581,000	6%
Medical Ancillary Expenses	\$1,339,000	5%
LCS Management Fee, Salaries & Benefits	\$1,104,000	4%
Insurance	\$705,000	3%
Maintenance & Repairs	\$655,000	3%
Marketing	\$419,000	2%
Legal & Professional Fees	\$276,000	1%
All above items = 91% of costs		
All Other	\$2,295,000	9%

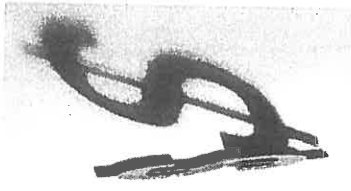
Changes to Resident Fee Structure

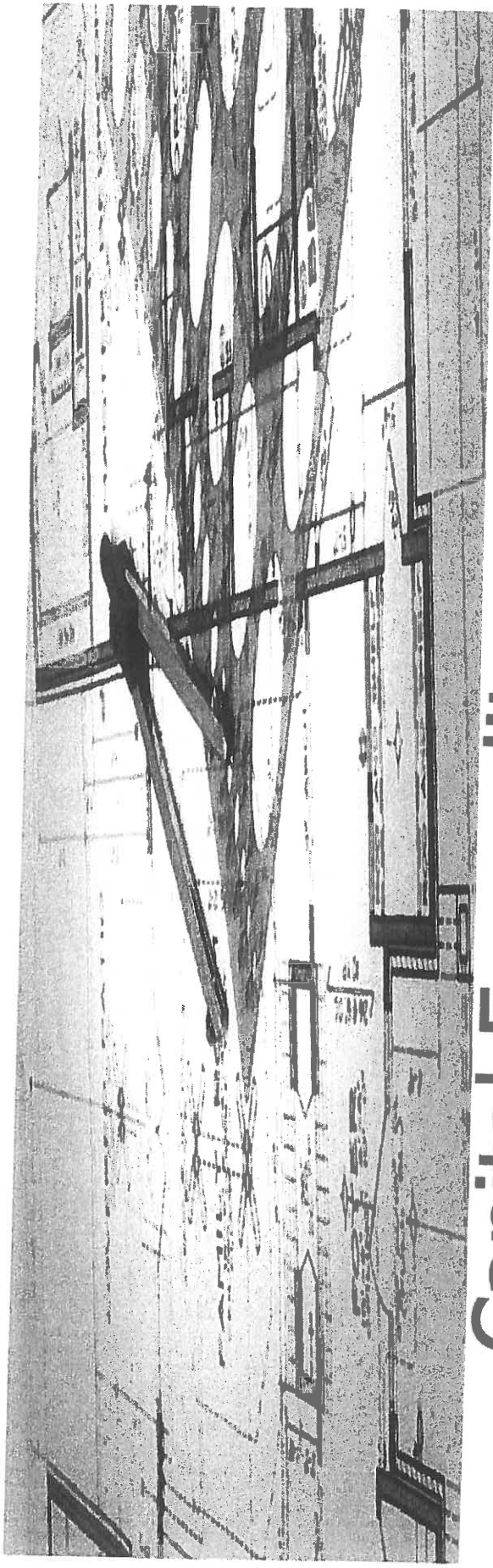
Increases In:

- Health Center: Private pay for outside residents will increase from \$290/day to \$295/day based upon market analysis. Outside private pay & Medicare stays continue to subsidize our Health Center although census has been lower.
- SCR Private Room: \$40/day (\$5/day increase).

No Increase In:

- HC Small Private Room(3): remains at \$45/day & Private Room conversions at \$65/day.
- SCR Room Conversions: remains at \$65/day. Currently not allowing due to census needs.
- In Home Care: 0 to less than 4 hrs @\$22.50/hr; 4 to less than 16 hrs @ \$20.00/hr; 16-24 hrs @ \$17.50/hour. (no increase).
- Additional Meal Charge at \$12 per meal or \$24/day in HC & SCR.
- Additional Meal charge per point at \$7 for IL & AL.
- Medication Management Fees is based on the number of daily visits plus a one time set up fee of \$25
- Miscellaneous Fees - Guest Rooms, Cable Housekeeping, Maintenance, Transportation & Garage Fees





Capital Expenditures

- Does not impact Monthly Fee increase; sources for capital expenditures come from Entrance Fees, which also fund our debt service payments and bond funds.
- Capital expenditures budgeted at \$8,323,500.
- Based on the four R's – Repair, Renovate, Reposition & Replace!

|Capital ExpendituresTotal \$8.3M

- Capital Items – above \$2,500 with 3 year lifespan.
- Major items include:
 - Sur Apartment Laundry - \$675,000 (units to be determined)
 - Sur Water Source Heat Pumps - \$450,000
 - Norte Dining Room Buildout - \$1,100,000
 - HR & Marketing Buildouts - \$1,603,000
 - P-33 (Paint/Carpet) Refurb - \$219,000
 - Corridor Wall Sconces - \$100,000
 - KCC for Apartments Sold & In-house and Capitalized Labor - \$1,274,000
 - Master Plan Continuance \$1,000,000

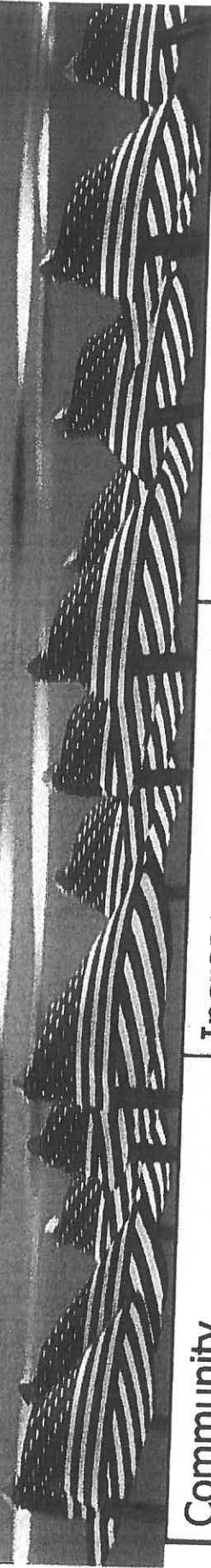
Entrance Fees

- Average Entrance Fee Budgeted at \$331,700 and includes a 4% increase, with second person fees remaining flat at \$24,500.



Key Expense Changes

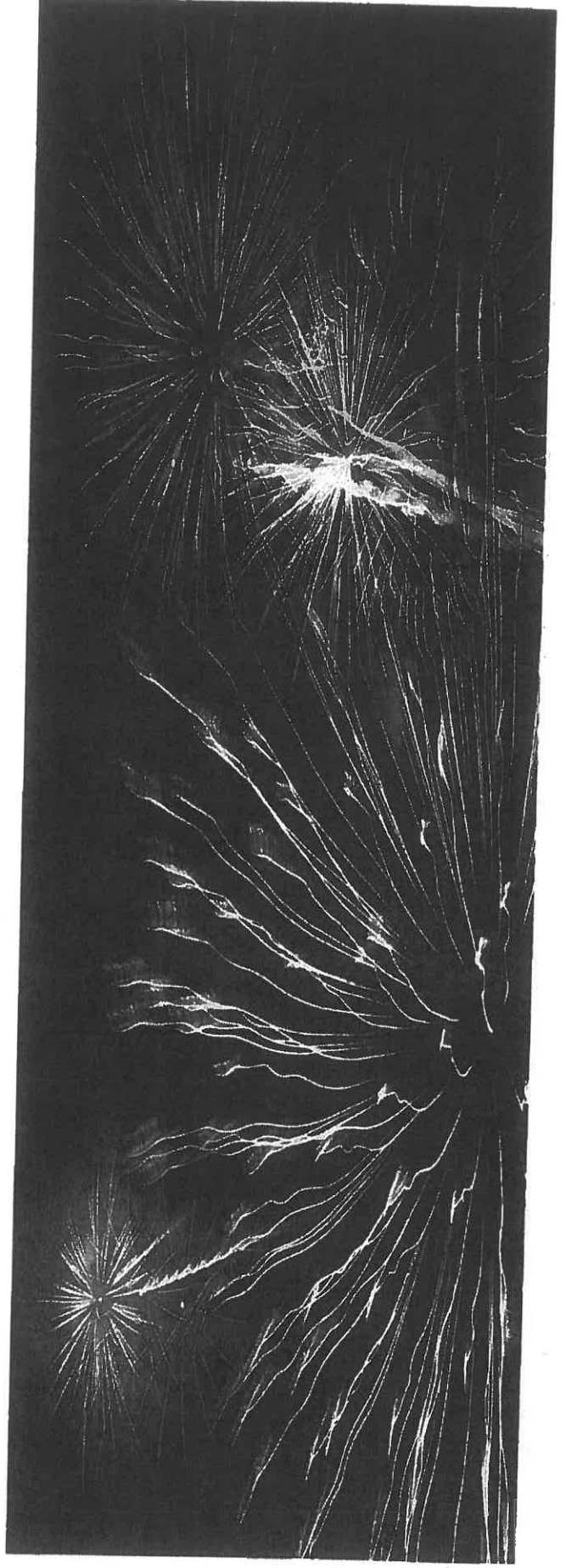
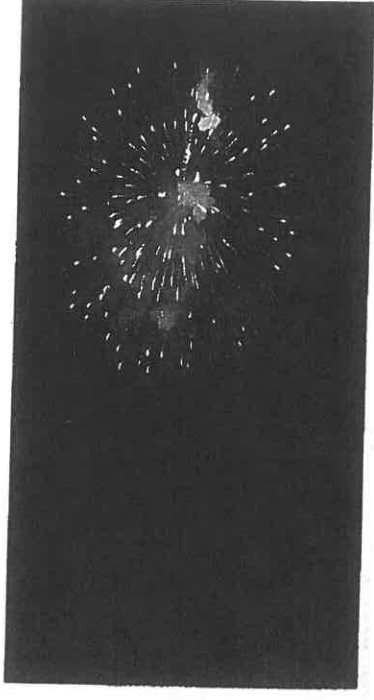
- Increase of +9.6 FTE's from 2012-2013 budget, primarily due to the resident service needs in all departments with the increasing census levels, except for the Health Center with a decreasing census and FTE base. The three largest FTE increases include:
 - - In Home Care = +3.8 FTE's,
 - - Dining Service = +3.4 FTE's &
 - - Housekeeping = +2.0 FTE's
- Overall the FTE per Resident has decreased from 0.53 to 0.51



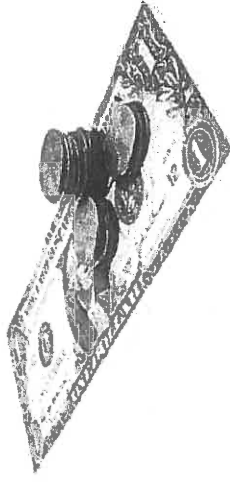
Community	Increase	Effective Date
Morningside of Fullerton	2.8%	1/1/13
Carlsbad by the Sea	3.75%	4/1/13
White Sands – La Jolla	4%	1/1/13
La Jolla Village Towers	3%	1/1/13
Air Force Vill. West (NFP)	2.5%	1/1/12
Saint Paul's (NFP)	3%	9/1/13
Redwood Terrace (NFP)	4.9%	1/1/13
La Costa Glen	2%	1/1/13

Monthly Fee Increase

- Effective 8/1/13, Casa will implement a Monthly Fee increase of 1.5% (currently between the CPI inflation index & food index both at 1.4% & medical index of 2.9%).
- 2nd person fee increasing from \$1,441 to \$1,463 (1.5%)



Monthly Fee by Unit Type



Unit	Current MFee – single	New MFee - single	% incr.	Current MFee - couple	New MFee - couple	% incr.
A	\$2,304	\$2,339	1.5%	\$3,745	\$3,802	1.5%
B	\$2,470	\$2,507	1.5%	\$3,911	\$3,970	1.5%
C	\$2,723	\$2,764	1.5%	\$4,164	\$4,227	1.5%
D	\$2,964	\$3,008	1.5%	\$4,405	\$4,471	1.5%
E	\$3,248	\$3,297	1.5%	\$4,689	\$4,760	1.5%
F	\$3,758	\$3,814	1.5%	\$5,199	\$5,277	1.5%
G	\$2,159	\$2,191	1.5%	\$3,600	\$3,654	1.5 ₂₁ %

Monthly Fee by Unit Type

Unit	Current MFee - single	New MFee - single	% incr.	Current MFee - couple	New MFee - couple	% incr.
H	\$2,682	\$2,722	1.5%	\$4,123	\$4,185	1.5%
I	\$3,237	\$3,286	1.5%	\$4,678	\$4,749	1.5%
J	\$3,858	\$3,916	1.5%	\$5,299	\$5,379	1.5%
J-1	\$4,034	\$4,095	1.5%	\$5,475	\$5,558	1.5%
K	\$4,318	\$4,383	1.5%	\$5,759	\$5,846	1.5%
K-1	\$4,427	\$4,493	1.5%	\$5,868	\$5,956	1.5%
L	\$3,502	\$3,555	1.5%	\$4,943	\$5,018	1.52%

Casa Fee Increase History

- 1991 = 5%
- 1992 = 4%
- 1993 = 3%
- 1994 = 4%
- 1995 = 4.5%
- 1996 = 3%
- 1997 = 2.5%
- 1998 = 3.5%
- 1999 = 2.25%
- 2000 = 2.5% (+1%)
- 2001 = 5%
- 2002 = 6.5%
- 2003 = 4.95%
- 2004 = 4.8%
- 2005 = 4%
- 2006 = 3%
- 2007 = 4.65%
- 2008 = 4%
- 2009 = 5.5%
- 2010 = 2.0%
- 2011 = 2.75%
- 2012 = 2.0%
- 2013 = 1.5%
- 3-year Avg = 2.08%
- 5-year Avg = 2.75%
- 10-year Avg = 3.42%
- 23-year Avg = 3.73%

Questions & Answers

- Thank you to Resident Finance Committee with special thanks to Frank Bugiel, Ken Waters, Don Gragg & Rz Norris, members of Finance Committee and the Executive Council, and the Board of Directors, namely the Board Finance Committee for their input and openness during this process.

**Continuing Care Retirement Community
Disclosure Statement
General Information**

Date Prepared: 11-28-14



FACILITY NAME: CASA DE LAS CAMPANAS, INC.

ADDRESS: 18655 WEST BERNARDO DRIVE

ZIP CODE: 92127

PHONE: 858-451-9152

PROVIDER NAME: CASA DE LAS CAMPANAS

FACILITY OPERATOR: LIFE CARE SERVICES, LLC

RELATED FACILITIES: NONE

RELIGIOUS AFFILIATION: NONE

YEAR # OF ☐ SINGLE ☐ MULTI-

MILES TO SHOPPING CTR: ONE(1)

OPENED: 1988 ACRES: 22 STORY STORY ☒ OTHER: BOTH

MILES TO HOSPITAL: FOUR(4)

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS — STUDIO: 15

APARTMENTS — 1 BDRM: 150

APARTMENTS — 2 BDRM: 210

COTTAGES/HOUSES: -0-

RLU OCCUPANCY (%) AT YEAR END: 96%

HEALTH CARE

ASSISTED LIVING: 47 BEDS

SKILLED NURSING: 99 BEDS

SPECIAL CARE: 27 BEDS

DESCRIPTION: > DEMENTIA

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR-PROFIT ACCREDITED?: ☐ YES ☒ NO BY: _____

FORM OF CONTRACT: ☒ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☐ FEE FOR SERVICE
(Check all that apply) ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: (Check all that apply) ☐ 90% ☒ 75% ☐ 50% ☒ FULLY AMORTIZED ☐ OTHER: _____

RANGE OF ENTRANCE FEES: \$ 187,960 - \$ 1,061,770 LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: YES

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: ASSET EQUIVALENT

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Resident Committee Chairs attend Board Committee meetings- in a non-voting capacity.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (2 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (2 /DAY)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER ON-SITE RENTAL CAR	<input type="checkbox"/>	<input checked="" type="checkbox"/>
OTHER Dinner Theater	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: CASA DE LAS CAMPANAS, INC.

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

This page is non-applicable.

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: CASA DE LAS CAMPANAS, INC.

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	\$23,828,142	\$24,528,516	\$25,848,133	\$28,862,947
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	\$22,405,578	\$23,363,123	\$24,380,197	\$26,134,473
NET INCOME FROM OPERATIONS	\$1,422,564	\$1,165,393	\$1,467,936	\$2,728,474
LESS INTEREST EXPENSE	\$2,836,954	\$2,985,215	\$2,958,761	\$2,917,437
PLUS CONTRIBUTIONS	\$ 802,719	\$ 306,498	\$ 187,659	\$182,720
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$3,580,687	-\$1,352,600	\$5,228,384	\$4,479,159
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$2,969,016	-\$2,865,924	\$3,925,218	\$4,472,916
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$10,875,437	\$16,704,367	\$19,134,231	\$14,812,157

DESCRIPTION OF SECURED DEBT (as of most recent fiscal year end)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
ABAG FINANCE AUTHORITY	\$51,710,000	3%-6%	JANUARY 2010	JANUARY 2037	27 YEARS, 9 MONTHS

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO	37.7%	38%	33%	29.8%
OPERATING RATIO	98.5%	97%	103%	104%
DEBT SERVICE COVERAGE RATIO	2.55	4.5	5.2	4.49
DAYS CASH ON HAND RATIO	343	668	831	1,063

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	\$2,060	2	\$2,117	2.75	\$2,159	2	\$2,191 1.5
ONE BEDROOM	\$2,611	2	\$2,683	2.75	\$2,736	2	\$2,777 1.5
TWO BEDROOM	\$3,423	2	\$3,517	2.75	\$3,588	2	\$3,641 1.5
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: > AMENDMENT TO RESIDENT AGREEMENT FOR SIX PRE-EXISTING CONDITIONS. INFORMATION INCLUDED IN THIS
 > DISCLOSURE STATEMENT IS NOT BINDING ON CASA DE LAS CAMPANAS, NOR DOES IT GUARANTEE PROVISIONS OF AMENITIES LISTED OR REFERENCED
 > HEREIN. ALL AMENITIES AND PAYMENTS THEREFORE ARE SUBJECT TO CHANGE PER THE CASA POLICY AND/OR BOARD OF DIRECTORS.

PROVIDER NAME: CASA DE LAS CAMPANAS, INC.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{Depreciation Expense} \\ - \text{Amortization Expense} \end{array}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{Interest, Depreciation, and Amortization Expenses} \\ \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.